

ALTSEAN

BURMA

ALTERNATIVE ASEAN NETWORK ON BURMA
CAMPAIGNS, ADVOCACY & CAPACITY-BUILDING FOR HUMAN RIGHTS & DEMOCRACY

BN2004/0601

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BN2004/0601
JUNE 13, 2004

BRIEFING NOTE: IT IS TIME TO ACT ON BURMA

The roadmap has had a most regrettable launching... the SPDC has brought the 1,088 delegates to house arrest. ~ UN Special Rapporteur Paulo Pinheiro on the National Convention, June 2004¹

Sanctions, particularly economic sanctions, are vital non-military options to support the democracy movement in Burma. Hence, the continuation and expansion of such sanctions are needed. ~ Representatives of 40 organisations from 10 Asian countries at the Regional Strategy Meeting, June 2004, Thailand²

Now, more than ever, the people of Burma need the leverage provided by decisive actions such as sanctions that are working to deprive Burma's military regime, the State Peace and Development Council (SPDC), of foreign exchange to fund its nationwide repression, and legitimacy.

The failure of the SPDC to release democracy leader Daw Aung San Suu Kyi and deliver irreversible steps to reform has exposed its "democracy roadmap" as a lie. The latest development, the convening of an inherently illegitimate and increasingly bizarre National Convention to draft a new constitution, has forced the international community, particularly, governments in Europe and Asia, to re-evaluate their position on Burma.

We hope that these states, realizing that they have been misled by the regime's overt charm offensive, may now be disposed to take a more active stance on Burma.

It is time for these countries to send a clear and very strong message to the regime and to the rest of the international community that they are committed to supporting the people of Burma in their struggle for democracy.

SHOULD THE SPDC BE ALLOWED TO GET AWAY WITH LIES?

The international community should not allow the SPDC to believe it is able to get away with its deceit. So far, lack of political will by some European and Asian governments to act decisively on Burma has only empowered the regime and undermined the efficacy of other forms of pressure against the regime. So, when pressure is only applied from one side, the regime thinks it can "wait out the storm" because the rest of the international community will not have the courage to take a decisive stand.

This is why representatives from 40 organisations in 10 Asian countries, activists and politicians recently deplored the international community's "willingness to allow the regime to play off the interests of governments against each other, in order to prolong its own oppressive rule."³

1 The Nation (2 Jun 04) Envoy: Assembly a 'mass house arrest'

2 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04). The 40 organizations at the meeting comprised regional organizations, NGOs, political parties, labor groups and Burman and ethnic nationality groups from Bangladesh, Burma, Cambodia, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea and Thailand. Full text of the declaration is available at <http://www.ibiblio.org/obl/docs/June-8-decl.htm>

3 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04).

PATIENCE & FLEXIBILITY

Burma's democrats have been steadfast yet patient and flexible. They were even willing to consider participating in the regime's National Convention as a means to move forward despite the fact that the NC is inherently illegitimate. The NC was originally devised as an excuse not to convene Parliament when the National League for Democracy (NLD) overwhelmingly won the 1990 election. However, the regime would not relent on necessary fundamentals such as free speech and the participation of Daw Aung San Suu Kyi. As NLD spokesman U Lwin recently said, "we are in for some hard times."⁴

While refusing to take the most basic steps forward for reform, and while thoroughly abusing the Burmese economy, the regime has sought to use the people of Burma as hostages against the sanctions. The people of Burma know that the regime's economic and political abuses are the worst punishment that they could endure. The SPDC's desperate claims are proof that the sanctions are beginning bite, but not yet hard enough that they will engage in genuine reforms. The regime will not modify its behaviour until most loopholes in international pressure are closed.

In an interview on May 25, 2004, U Lwin implied his support for sanctions and said that those who oppose sanctions "[don't] know the country's present economic, social and political situation,"⁵

WHY ACT NOW?

SPDC'S BROKEN PROMISES ON THE NATIONAL CONVENTION: The SPDC has been making promises to free Daw Aung San Suu Kyi and U Tin Oo, so that the Nobel Laureate can participate at the National Convention (NC). This has not happened.

Currently, only 1.1% of the NC delegates (i.e. 12 people) are elected representatives. Six of them were formerly NLD MPs who were expelled from the party. Nine political parties that won a total of 91% parliamentary seats in the last election are boycotting the NC because of the regime's refusal to abide by democratic standards.

UN Special Rapporteur Professor Pinheiro called the NC "surrealistic" and said delegates were essentially condemned "to house arrest"⁶. The regime has imposed many bizarre rules on delegates, to prevent them from avoiding attending NC meetings. It has refused to repeal Law 5/96 which imposes a jail term of up to 20 years on anyone who criticises the NC.

LACK OF DEMOCRATIC PROGRESS: Besides continuing to detain democracy leaders (including elected Members of Parliament and ethnic nationality leaders), political parties continue to be restricted in their activities.

CONTINUING HUMAN RIGHTS ABUSES: Systematic abuses of human rights continue throughout the country. Even while the SPDC conducts the NC, it is also conducting military offensives against the people of Shan and Karen states.⁷

Forced labour continues to be a severe problem with the ILO noting "forced recruitment of children and even the use of persons as minesweepers were still in use".⁸

4 Bloomberg.com (18 May 04) Annan Criticizes Myanmar; U.S. Extends Sanctions

5 VOA (25 May 04) NLD Party Spokesman Criticizes Kofi Annan and BBC

6 Financial Times (2 Jun 04) Burma reform talks 'surreal' says UN envoy

7 DVB (20 May 04) SPDC still attacking opposition despite Convention

8 International Labour Conference (5 Jun 04) Special sitting of the Committee on the Application of Standards to examine developments concerning the question of the observance by the Government of Myanmar of the Forced Labour Convention, 1930 (No. 29)

For more information on the human rights situation in Burma “post-roadmap” please refer to Altsean-Burma’s Special Report: *On the Road to Democracy?* September 1, 2003 – February 29, 2004.⁹

Releases because of international pressure: In November, 3 men were sentenced to death for treason after having been accused of having links with the ILO. Their sentences were later commuted to life imprisonment, in response to international pressure¹⁰. Similarly, international pressure worked to release nine young men who were arrested for distributing leaflets with the Universal Declaration of Human Rights.¹¹

REGIONAL & INTERNATIONAL SECURITY CONCERNS: Burma has been consistently targeted by the Financial Action Taskforce (FATF) for its lack of progress in establishing adequate anti-money laundering measures, especially in regard to **drug money laundering**¹². Money laundering is clearly a major issue in Burma as a report by the US Embassy in Rangoon found that the total figure for money that could not be accounted for in FY1995-96 was the equivalent of 60% of the total export earnings.¹³

Military Threat: Despite severe economic problems, the regime is aggressively acquiring arms and nuclear technology, most recently from Ukraine, India, China and North Korea. For more details please see the section on *Recent Arms and Defense Equipment Acquisitions*.

PRESSURE WORKS

The SPDC’s conduct of the NC and the imposition of bizarre rules are desperate measures designed to prevent any opportunity for delegates to absent themselves. The junta’s fear of further losing credibility over the NC is proof that it is sensitive to international opinion and pressure. ~ Regional Strategy Meeting, June 2004, Thailand.¹⁴

- ◆ **Archbishop Desmond Tutu:** Sadly, tyrants choose not to understand the language of diplomacy or constructive engagement, but rather respond only to the action of intense pressure and sanctions. As in South Africa, the people and legitimate leaders of Burma have called for sanctions. In South Africa when we called for international action, we were often scorned, disregarded, or disappointed. To dismantle apartheid took not only commitment faith and hard work, but also intense international pressure and sanctions. November 2003
- ◆ **Daw Aung San Suu Kyi:** In one of the last public statements Daw Aung San Suu Kyi was able to make to the international community in April 2004, she was clear that it was the NLD’s strategy to use sanctions “until such time as negotiations take place.”¹⁵

9 24 pages. Available as a PDF from www.altsean.org

10 Straits Times via AP (7 Jun 04) Forced-labour report could trigger Myanmar sanctions

11 AP (7 Jun 04) Myanmar junta frees nine who were arrested last week for distributing leaflets

12 Financial Action Task Force on Money Laundering/ Groupe d’Action Financière sur le Blanchiment de Capitaux (27 Feb 04) FATF strengthens global anti-money laundering and anti-terrorist financing campaign, FATF (13 Mar 03) Non-Cooperative Countries and Territories, FATF (3 Nov 03) FATF decides to impose counter-measures on Myanmar

13 Lintner, Bertil. Drugs and Economic Growth in Burma Today. In M.Pedersen, E.Rudland & R.J.May (Eds) Burma/Myanmar Storing Regime Weak State? 2000. The unaccounted amount was US\$600 million, compared to the official exports of the country, which was US\$1 billion. It is thought that the situation has not changed significantly, despite the declaration of an anti-money-laundering law by the regime in June 2002.

14 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04). The 40 organizations at the meeting comprised regional organizations, NGOs, political parties, labor groups and Burman and ethnic nationality groups from Bangladesh, Burma, Cambodia, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea and Thailand. Full text of the declaration is available at <http://www.ibiblio.org/obl/docs/June-8-decl.htm>

15 AFP (23 Apr 03) Myanmar’s Aung San Suu Kyi complains for the first time of stalled talks

- ◆ **U Lwin, NLD Spokesman:** Mr. Kofi Annan needs to go one step further after his [Special Envoy Razali Ismail's] report...There is the Security Council. Mr. Razali needs only to report to Kofi Annan. Kofi Annan needs to decide. He needs to do what he has to do. I can only say that. He needs to take this matter to the Security Council.¹⁶
- ◆ **Asian activists:** Asian participants from 40 organisations in 10 countries at the Regional Strategy Meeting held in Thailand have unanimously endorsed efforts to “Sustain and widen sanctions against the military regime, including economic sanctions and an embargo on military equipment and expertise.”¹⁷
- ◆ **Malaysian Parliamentarians:** The increase in international pressure as evidenced by the US sanctions, has encouraged pro-democracy politicians in Asia to be more pro-active on Burma. In an unprecedented development, the Prime Minister's Department supported the formation of a multi-party MPs Caucus to deliver “concrete and substantive action” to support democracy in Burma.¹⁸
- ◆ **Senator John McCain and former Secretary of State Madeleine Albright:** The Burmese regime's recent actions demonstrate that years of international engagement and patience have not made the dictatorship more humane, reasonable or open to accommodation with its political opponents. On the contrary, it is only in response to international pressure that the regime has made even the smallest moves toward a political settlement with the democratic opposition. The lesson is clear: The world's democracies and Burma's neighbors must press the junta until it is willing to negotiate an irreversible transition to democratic rule.¹⁹
- ◆ **Sanctions Take Time:** Critics point out that pressure from the United States and other nations has not yet eased repression in Burma, and must therefore be considered a failure. We could apply the same logic and argue that the policy of no sanctions against Burma, which existed for decades before the late 1990s, also produced no progress and was therefore a failure. We might have applied that logic to American policy towards Eastern Europe during the Cold War or South Africa in the 1980s. One can easily imagine saying in, say, 1987, that decades of international pressure (including sanctions) against Poland had not done a thing to move its Communist government to respect human rights, and that therefore we needed to accommodate ourselves to the status quo. And indeed, many people did say precisely that. And they were profoundly wrong.²⁰ ~ Tom Malinowski, Advocacy Director, Human Rights Watch

Engagement is not working: In December 2003, the Japanese Government resumed ODA to the SPDC to support “signs of progress toward democratization.” Thai Prime Minister Thaksin Shinawatra has used intense business and diplomatic engagement and attempted to reduce international pressure on the regime only to be publicly embarrassed when the regime did not honor their commitment to the ‘Bangkok Process’ or to convening a national convention that included Daw Aung San Suu Kyi and the NLD.

The more accommodation the regime gets, the more oppressive their actions become.

16 VOA (25 May 04) NLD Party Spokesman Criticizes Kofi Annan and BBC

17 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04). The 40 organizations at the meeting comprised regional organizations, NGOs, political parties, labor groups and Burman and ethnic nationality groups from Bangladesh, Burma, Cambodia, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea and Thailand. Full text of the declaration is available at <http://www.ibiblio.org/obl/docs/June-8-decl.htm>

18 Bernama (8 Jun 04) Malaysian Parliamentarians To Help Nudge Myanmar Junta Towards Democracy

19 Washington Post (27 Apr 04) A Need to Act on Burma

20 House International Relations Committee Subcommittee on Asia and the Pacific and the Subcommittee on International Terrorism, Nonproliferation and Human Rights (25 Mar 04) “Human Rights and U.S. Strategy in Burma” Testimony by Tom Malinowski, Washington Advocacy Director, Human Rights Watch

WHAT THE REGIME IS BEING URGED TO DO

- ◆ Halt the NC and instead, create conditions that will be conducive to a genuine tripartite dialogue leading to a peaceful, political solution in Burma.
- ◆ Declare a unilateral nationwide cease-fire and stop military violations in the ethnic nationality areas.
- ◆ Release all political prisoners, including Daw Aung San Suu Kyi, U Tin Oo and leaders of ethnic nationality groups, further that it allow all political parties to function freely.
- ◆ Allow an independent investigation of the Depayin Massacre.

WHAT THE INTERNATIONAL COMMUNITY CAN DO

- ◆ Cease providing the regime with resources, including arms, equipment or technical expertise that can be used for internal repression.
- ◆ Commence sanctions against the military regime in Burma, in particular a ban on financial remittances.
- ◆ Withdraw support for the NC and the regime's roadmap, and instead, insist on tripartite dialogue premised on observance of human rights and democratic principles. Further, insist that the SPDC release all political prisoners and declare a nationwide cease-fire.
- ◆ Develop and implement a decisive, coordinated range of actions, including the strengthening of the will and ability of the UN (including through the UN Security Council and all other mechanisms possible), to actively contribute to the genuine democratisation of Burma, and hence greater stability to the region.
- ◆ Recognize the elected members of parliament as the legitimate representatives of Burma.
- ◆ Asean should suspend SPDC membership and disqualify the SPDC from chairing the regional bloc in 2006, in the absence of irreversible steps to achieve National Reconciliation, and political and economic reforms. Further, the SPDC should be blocked from ASEM membership for the same reasons.

A BAN ON FINANCIAL REMITTANCES – THE PRACTICAL OPTION

A ban on financial remittances to Burma has proven to be the most cost-efficient and effective economic sanction so far.

Other types of sanctions including visa bans and asset freezes require substantial intelligence and human resources to implement. The traditional Burmese naming system does not rely on family or surnames, which creates significant loopholes for compliance.²¹ Further, there have been no reports received of any significant freezing of SPDC assets in Europe despite its imposition in 2000, and expansion in 2003.

21 Altsean-Burma interviews, September 2003 – June 2004

However, preliminary research on the US ban on remittances to Burma have proven to be relatively easy to implement and very effective, thanks to the computerisation of banking. In the US system, international transfers to accounts that indicate “Burma” and “Myanmar” in the destination or account name are automatically referred for action.²²

Those individuals or bodies making legitimate transfers exempted from the scope of the ban are able to apply for a license.

The direct impacts have been felt by big businesses associated with the regime, and the regime itself.

Ordinary people relying on remittances from overseas family members do not normally use the Burmese banking system for transfers because of the blanket 10% tax imposed on any foreign transfer entering or leaving Burma. Such families have traditionally relied on an informal agent system. Such informal transfers are usually possible for moderate sums, while the formal economy that is controlled by the regime relies on the official banking system because it deals with large sums.

The banking system is monopolized by the regime. The state-run Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, and the Myanmar Economic Bank are the only institutions that handle foreign exchange transactions in Burma.²³

In addition to sound political and human rights reasons for such a ban, the ban on remittances also responds to **security considerations** such as exposure to money-laundering, particularly in the context of drug production and trafficking.

SANCTIONS – A LIFELINE FOR THE DEMOCRACY MOVEMENT

It is undeniable that pressure from the outside, including sanctions, has made a difference in Burma... Without it, there is no question in my mind that Aung San Suu Kyi and her leading supporters would have been exiled, imprisoned, or killed years ago and her political movement shut down entirely.

~ Tom Malinowski, Advocacy Director, Human Rights Watch

The International Labor Organization’s (ILO) willingness to recommend sanctions has compelled the regime to reconsider a few actions. For example, in May 2004 the SPDC reassessed death sentences for 3 men for having contact with the ILO in addition to 6 others, including a journalist.²⁴

SANCTIONS – A NON-VIOLENT BARGAINING CHIP

Sanctions, particularly economic sanctions, are vital non-military options to support the democracy movement in Burma. Hence, the continuation and expansion of such sanctions are needed. ~ Regional Strategy Meeting on Burma, Thailand²⁵

The regime is afraid of two things – popular support for the National League for Democracy (NLD) and Daw Aung San Suu Kyi, and economic sanctions. Both erode the regime’s illusion of control. In times of accelerated repression, the bargaining chip of sanctions is vital leverage for the democracy movement.

22 Altsean-Burma interviews, September 2003 – June 2004

23 Irrawaddy (7 Aug 03) Foreign Banks Refuse Letter of Credit

24 AFP (15 May 04) Myanmar drops death sentences against journalist, ILO-linked figures

25 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04). The 40 organizations at the meeting comprised regional organizations, NGOs, political parties, labor groups and Burman and ethnic nationality groups from 10 Asian countries. Full text of the declaration is available at <http://www.ibiblio.org/obl/docs/June-8-decl.htm>

The democratically elected leadership of Burma has requested that the international community put pressure on the SPDC through sanctions until the regime is serious about democracy. When such a time arises it will be clear as Aung San Suu Kyi has stated, “I think we’ll tell you when the military is genuine about political reform.”²⁶

TAKING AIM AT SPDC’S ECONOMIC LIFELINES

Far from the blunt and indiscriminate tool it is often accused of being, in the case of Burma at least, sanctions appear to be surprisingly well targeted and capable of exerting considerable pressure on the military regime.

~ Alfred Oehlers, Economist, Auckland University of Technology

The regime and its cronies dominate much of Burma’s formal economy, while the majority of civilians survive from a subsistence living and from local businesses operating in the informal economy. Economic sanctions have reduced the regime’s access to hard currency to buy weapons, expand its intelligence apparatus, to enrich themselves and their cronies and to fund their rule.

Sanctions affect the formal economy, which is dominated by the SPDC, regime officers in a private capacity, and their cronies. Indicators that sanctions hit their target:

- ◆ “To the extent that sanctions have hurt the economy, they have contributed to the budgetary constraints that inhibit a fuller expansion and modernization of the armed forces. There are signs that the inability of the ministry of defense to provide adequate salaries and living conditions is hurting morale among junior officers and the rank-and-file.” Sanctions may also make financing of weapons more difficult and thus reduce the amount of armament the regime purchases.²⁷
- ◆ A Burmese analyst states that 75% of Burmese work in the rural sector and while they are poor, they are not as affected by the Western sanctions as the business interests owned and run by the Burmese army and their cronies - which in Burma means the rest of the economy.²⁸
- ◆ 80% of large-scale enterprises with more than 100 employees are state-owned or state-affiliated enterprises.²⁹ These enterprises are more advanced in organization and management and thus more likely to be the businesses with relationships affected by the sanctions.
- ◆ The SPDC is feeling the pinch as foreign trade decreased by 15% during the 2003-04 fiscal year ending in March 2004.³⁰
- ◆ The US Commercial Service Report states: “It is very difficult for truly private companies to be active exporters because there are no government programs that offer any financial support to them. Private companies do not enjoy the same advantage as government and military organizations, particularly in regard to use of the official exchange rate.”³¹
- ◆ The SPDC has “imposed a series of restrictive and ill-conceived trade policies. [Their] motivations for many of these restrictions appear to be aiding crony companies, protecting moribund state-owned enterprises, and capturing scarce foreign exchange.”³²

26 Burma Campaign UK (17 Jun 02) Interview with Daw Aung San Suu Kyi

27 International Crisis Group (26 Apr 04) Myanmar: Sanctions, Engagement or Another Way Forward?

28 Mizzima News (24 Mar 04) Sanctions and Actions

29 Burma Campaign UK (March 2004) The European Union and Burma: The Case for Targeted Sanctions

30 Xinhua (1 Jun 04) Myanmar's foreign trade declines in 2003-04

31 US Commercial Service (25 Aug 03) Country Report. Chapter 6: Trade Regulations, Customs and Standards

32 US Commercial Service (25 Aug 03) Country Report. Chapter 6: Trade Regulations, Customs and Standards

- ◆ “A private entity can establish, buy, sell and own a business only with the review and approval of the Myanmar Investment Commission (MIC) (and by proxy the top leadership).”³³
- ◆ The regime has pursued a process of ‘privatization’ to manipulate the economy in a way that has allowed the military to ‘re-assert’ ownership and control over formal sector enterprises.” The ownership occurs via private business organizations, where often times the main beneficiaries are not directly the state, but the regime’s top officers, family members, allies and close business associates.³⁴
- ◆ Australian Military Scholar Andrew Selth argues, “It is now very difficult to establish any major business in Burma without the support of senior military officers, many of whom have their own private companies throughout the country....It must be assumed that a high percentage of the profits of the joint venture deals embarked upon to date must eventually return in one form or another to the armed forces.”³⁵
- ◆ Traders report that private companies can only export under the authorization of the Union of Myanmar Economic Holdings Ltd (UMEH) or Myanmar Agriculture Produce Trading (MAPT), which receive an 11% commission on transactions.³⁶

SANCTIONS – CREATING DOMESTIC PRESSURE FOR CHANGE

Aside from denying the SPDC hard currency to fund its rule and to enrich themselves individually, sanctions are also hitting the regime’s cronies and officers profiting from private businesses.

- ◆ As businesses have to go through increasingly convoluted and complex manoeuvres to conduct business, more voices for reform are emerging.
- ◆ Disgruntled businessmen are putting pressure on the regime to get the restrictions lifted.
- ◆ The ban on remittances has had a huge impact as most of Burma’s trade was previously conducted in US dollars. It has been a difficult and expensive process for business owners trying to cope with the restrictions.
- ◆ The seeds of discontent have been sown and they must be given time to grow. As coping mechanisms continue to be difficult, limited in accessibility and are expensive, domestic pressure will grow stronger. Sanctions must be reauthorized in order to promote this trend inside Burma.

Undermining Moderates?

The Burmese military regime has perfected the art of combining naked force through harsh crackdowns with political offensives to defeat the opposition movement and defuse international pressure...The strategies may appear to be smart, but they smack of the tactics espoused in Sun Tzu’s “The Art of War.”
 ~ Political analyst Min Zin³⁷

33 US Commerical Service (25 Aug 03) Country Report. Chapter 7: Investment Climate

34 Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

35 Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

36 US Department of Commerce (2002) Burma Country Commercial Guide FY2002

37 Irrawaddy (26 Apr 04) Reviewing the Junta’s Strategy

In response to the charge that sanctions undermine moderates in the regime Daw San San, an NLD Member of Parliament said, “I would also like to address the suggestion that this military regime is comprised of a ‘hard-line’ faction and a ‘soft-line’ faction. We Burmese people who live under this military regime every single day have seen absolutely no evidence of this ‘soft-line’ anywhere. In reality, the so-called ‘soft-liners,’ including [Prime Minister] Khin Nyunt, oversee the torture and imprisonment of all political prisoners.”³⁸

Tom Malinowski, Washington Advocacy Director at Human Rights Watch also addressed this flawed line of thinking in a testimony to a dual-Subcommittee hearing: “Virtually every authoritarian government that has faced outside criticism has tried to convince the world that there were “moderates” within its ranks working quietly for change, and that “too much” pressure would hurt their chances.”

“In the late 1980s, the dying dictatorships of Eastern Europe would send highly articulate, reasonable sounding officials to talk to members of Congress and their staff, to assure us that they understood the need for change, and to beg us for aid and loans. “If you keep squeezing us, the hard liners will win” was their constant refrain.... It is frankly silly to suggest...that if only their delicate psyches were not so offended by outside condemnation they might change their behavior. In fact, Burma is ruled by a highly cynical group of people who are accustomed to playing hardball.”³⁹

SANCTIONS – INSTIGATING REGIONAL ACTION

That the regime attempts to justify its behaviour by talking about “managed democracy” and the “Asian way to democracy” is an outrage. The fact that Burma’s regional neighbours look the other way while making pretences about “internal affairs” is a stain on all Asians – and this must change. ~ Tashika Elbegdorj, former Prime Minister of Mongolia ⁴⁰

We hereby appeal to the Prime Minister and the Government of Myanmar to carry out the following measures to restore the democratic rights of the Myanmar people:

1. To immediately and unconditionally release leader of National League for Democracy (NLD), Aung San Suu Kyi from house arrest.

2. To immediately and unconditionally release all political detainees including all the Members of Parliament elected at the last General Elections.

~ Pro-Democracy Myanmar MPs’ Caucus of the Malaysian Parliament ⁴¹

We also urge Asean to disqualify the SPDC from chairing the regional bloc in 2006, in the absence of irreversible steps to achieve National Reconciliation, and political and economic reforms. ~ Regional Strategy Meeting on Burma, Thailand ⁴²

Burma’s neighbours and regional governments, hiding behind a manipulated principle of non-interventionism, have largely lacked the political will to actively deal with the political impasse in Burma.

38 House International Relations Committee Subcommittee on Asia and the Pacific and the Subcommittee on International Terrorism, Nonproliferation and Human Rights (25 Mar 04) Testimony by Daw San San, Elected Member of Parliament, National League for Democracy, Burma.

39 House International Relations Committee Subcommittee on Asia and the Pacific and the Subcommittee on International Terrorism, Nonproliferation and Human Rights (25 Mar 04) “Human Rights and U.S. Strategy in Burma” Testimony by Tom Malinowski, Washington Advocacy Director, Human Rights Watch

40 Tashika Elbegdorj. The Nation (10 May 04) Now is the Time for Action on Burma.

41 Press Statement by the Pro-Democracy Myanmar MPs’ Caucus of the Malaysian Parliament at the Parliament House, Kuala Lumpur (8 Jun 04)

42 Declaration of the Regional Strategy Meeting on Burma, Thailand (8 Jun 04).

However, when the threat of increased sanctions became obvious, it prompted regional voices to become more active in trying to help broker a solution. Although serious questions have been raised about its method and motivation, Thai Prime Minister Thaksin Shinawatra led the charge with the creation of the now defunct, 'Bangkok Process.'⁴³

Another example of regional actors beginning to act has occurred in Malaysia. A multiparty body has been formed by Malaysian politicians to push for change in Burma through efforts by Malaysia as well as ASEAN⁴⁴. In addition, Malaysian authorities have reportedly used quiet diplomacy to encourage the SPDC to comply with the ILO, to prevent sanctioning measures from being imposed.⁴⁵

SPDC – FEIGNING REFORM & ROLLING OUT THE CHARM

The regime continues to demonstrate that it is sensitive to sanctions and international pressure. In response to an initial burst of international pressure, the SPDC shuffled its ranks and promoted General Khin Nyunt to Prime Minister, sent high-ranking members on a diplomatic 'charm' tour in the region, released a '7-point roadmap' for transition to democracy and held a seminar "Understanding Myanmar" in effort to sway international opinion. These efforts indicate that the Sr-Gen Than Shwe and top-ranking members of the SPDC feel that their power is being shaken by intense international pressure and economic sanctions.

The SPDC and ASEAN members are keenly aware that the day of reckoning in 2006 is fast approaching when Burma is set to assume the Chair of ASEAN. The regime appears to be trying to push through a process that will be acceptable to ASEAN members but ultimately retains the regime's grip on power. It is more important than ever for the world's democracies to prevent such a scenario from taking place and to indicate to the SPDC and ASEAN that much more needs to be done to prove that they are committed to democracy and respecting human rights for all people in Burma.

DAMPENING EFFORTS

Relabeling: A recent report by the Federation of Trade Unions – Burma states that, "While the official exports stopped to the US, many tried to re-label the garments as European brands and export to the US."⁴⁶ There is anecdotal evidence of this attempt to sidestep the sanctions by mislabeling the country of production. The specific manufacturers that have raised eyebrows are South Korean firms.⁴⁷

Garment companies Myanmar Daewoo International Ltd, Myanmar Segye International Ltd and Myanmar Unimix International Ltd own a garment sales shop "MDIL, SEGYE, NIMIX Garment Sales" and sells garments made by Burmese garment factories. In that shop garments labeled "Made in Korea" were discovered. At least two of the shirts carried the brand name "Omphalos." All 3 companies are in joint ventures with the Union of Myanmar Economic Holdings Ltd (UMEH), which is owned by the Directorate of Procurement, an agency of the Ministry of Defense. UMEH receives nearly US\$2 for every garment exported abroad from these factories. The factories are located at

43 The "Bangkok Process" was a forum created supposedly to increase international dialogue and support for Burma's transition to democracy. However, the SPDC would attend only when assured that it wouldn't face criticism from other participants. Thus the forum excluded pro-democracy groups and ethnic nationality representatives and critical nations such as the US, UK and Canada and was seen as a forum for the SPDC to fend off international criticism and to present a facade of commitment to democracy.

44 Bernama (8 Jun 04) Malaysian Parliamentarians To Help Nudge Myanmar Junta Towards Democracy

45 Altsean-Burma (Nov 2003) Ready, Aim, Sanction! Non-military options to support Burma's democratization. Available as PDF at www.altsean.org

46 Federation of Trade Unions - Burma (2004) US Sanction and Textile and Garment Sector of Burma

47 Irrawaddy (May 2004) Creative Apparel Labeling

UMEH's Pynmapin Industrial Estate (thus UMEH profits further from rent and utilities), which was upgraded in 1996 with child labor.

The parent companies of Myanmar Daewoo International Ltd, Myanmar Segye International Ltd are located in South Korea. An article in the Irrawaddy suggests that, "one would assume that the mislabeled garments were made at one-or-other of the two firms' factories."⁴⁸ The article further indicates that, "Reliable sources in Burma claim that unnamed Korean garment firms with Rangoon factories have been taking payment for exports in Seoul, then executives hand-carry hard currency back to Rangoon."

Mis-labeling goods constitutes a violation of the executive order, Burma Freedom and Democracy Act and US Customs Service rules on country-of-origin labeling.

Enabling Remittances: Despite the labeling of Burma as a non-cooperative country on anti-money laundering efforts by the Financial Action Task Force (FATF) in 2001, some institutions are intentionally trying to make it easier for remittances to flow in and out of Burma. In November 2003, the FATF called upon its members to apply countermeasures to Burma's financial institutions the same month that the SWIFT admitted Burmese banks into its membership.

In November 2003, the Belgium-based cooperative, SWIFT, approved 4 Burmese banks for membership. As a member of the SWIFT network these banks are able to transfer funds abroad quickly and efficiently with the 7,500 financial institutions in 200 countries that are a part of the SWIFT network.⁴⁹

SWIFT allows companies with subsidiaries in other countries, for example Singapore or Thailand, to clear the transactions in their bank accounts and convert the amount to Euros and remit (via SWIFT) to the state-owned Myanmar Foreign Trade Bank (MFTB) in Rangoon.⁵⁰

The Singaporean Bank, United Overseas Bank (UOB) has been 'instrumental' in assisting businesses overcome the obstacles from the remittance ban. As of Dec 2003, the UOB Group had total assets of US\$66.5 billion and branches in 15 countries (including the US, UK, Australia, France, Canada, and many Asian countries) and representative offices in China and Rangoon.⁵¹

Business Diplomacy: When US sanctions were enacted the SPDC responded that they were not worried because their neighbours would make up for the losses. Unfortunately, there seemed to be a concerted effort, particularly by Thailand to do just that.

The Thaksin administration has dramatically increased business with Burma via trade fairs, the Economic Co-operation Strategy (ECS), fishing concessions, and deals with the Prime Ministers family communications business iPSTAR.

The Economic Co-operation Strategy (ECS) scheme was devised by Thailand to give low-interest loans and grants while lifting some tariffs for Burma, Laos and Cambodia to support national development plans and investment in the border areas. The financing is conditional on agreeing to offer contracts to Thai firms. Reportedly, Thailand has offered Burma US\$45 million in low-interest loans.⁵²

48 Irrawaddy (May 2004) Creative Apparel Labeling

49 The New Standard (8 Mar 04) Two U.S. Banks SWIFT to Skirt Burma Sanctions

50 Irrawaddy (May 2004) Beating the Sanctions

51 Irrawaddy (May 2004) Beating the Sanctions

52 Economist Intelligence Unit (Feb 2004) Country Report

Senator Mitch McConnell has raised some tough questions about Thaksin's 'cozy relationship with the SPDC' given that iPSTAR, a US\$350 million broadband satellite, is owned by Shin Satellite and Shin Corporation, a holding company founded by the Thai Prime Minister whose family owns 53 per cent.⁵³

In March 2004, the SPDC granted Thai company, Siam Jonathan, an exclusive fishing concession. It is the first foreign company to be granted exclusive rights to fish in Burma's waters since 1994. The SPDC will benefit as it is expected that more than US\$ 250 million will be earned in fishing rights and an additional US\$8.4 million in import tax on the diesel used by the boats.⁵⁴

SANCTIONS & SEX WORK

The thought that sanctions are responsible for driving women into the sex trade is rubbish. I can attest that the one single factor most responsible for denigrating women and breaking apart our family structures is the regime. I saw this myself in Rangoon and many areas of Burma. ~ Daw San San, elected Member of Parliament, National League for Democracy⁵⁵

A key tactic adopted by the SPDC has been to exploit international compassion by focusing on the hardships that may be experienced by a range of vulnerable groups. Ironically, these are the very same groups that have been marginalized and directly abused by the regime itself.

The sanctions declared at the end of July 2003 and brought into effect a month later, were blamed for the difficulties the women of Burma face, particularly for the growth of the commercial sex industry. This has allowed the regime to divert attention away from the root causes of the hardships and abuses faced by the women of Burma. Once again, the junta is employing the tired tactic of blaming 'outsiders' for circumstances they are directly responsible for creating. Once again, women are being used as hostages.

- ◆ **SPDC is Burma's biggest pimp:** Besides directly causing the conditions that drive women and children into sex work and other forms of sexual exploitation, individual military officers and their business partners directly benefit from the trade.
- ◆ **Increasing since 1988:** The trafficking and sexual exploitation of women from Burma has dramatically grown since 1988, as a result of abuses of civil, political, economic, social and cultural rights. Abuses such as rape, torture, extra-judicial killings, forced labour and forced relocation have taken place with impunity.
- ◆ **Jumping the gun:** The claim that sanctions had caused women to become sex workers emerged only a month after sanctions came into effect – it is unlikely that women who lost their jobs would immediately become sex workers, especially since workers are supposed to be compensated with 3 months' salary when a factory is closed.
- ◆ **Low factory wages:** A number of factory workers were already 'free-lancing' as sex workers because their salaries were insufficient to care for their families. It is likely they became full-time sex workers when they lost their jobs.

53 The Nation (4 Mar 04) US Senator slams PM: Is Thaksin soft on Burma because of iPSTAR, Shin Corp? Sen McConnell demands answers

54 AFP (14 Mar 04) Myanmar grants Thai firm exclusive fisheries deal: report

55 House International Relations Committee Subcommittee on Asia and the Pacific and the Subcommittee on International Terrorism, Nonproliferation and Human Rights (25 Mar 04) Testimony by Daw San San, Elected Member of Parliament, National League for Democracy, Burma.

- ◆ **Insufficient evidence:** Only one international agency is willing to say that ‘current conditions’ are driving more women into sex work but unable or unwilling to provide numbers. Other agencies contacted have not reported any significant increase.
- ◆ **Numbers of job losses disputed:** A comparison with the Cambodian garment industry implies that the total numbers of jobs that might be lost as a result of sanctions would be closer to 76,000, and not the wildly varying figures of 180,000 – 300,000. The figure of 76,000 does not include those who have lost their jobs as a result of the banking crisis since January.
- ◆ **Job losses from capital flight:** Foreign-owned businesses have also been leaving because of investor-unfriendly practices of the regime – lack of rule of law, widespread corruption, the banking crisis and serious impediments to imports and overseas transfers. The termination of the WTO Agreement on Textiles and Clothing in December 2004 would also spur more garment factories to move to China.
- ◆ **Reforms needed:** Irreversible political and economic reforms are urgently needed to reduce the underlying causes that make women vulnerable to extreme poverty, violations, trafficking and exploitation.

PEOPLE OF BURMA SUPPORT SANCTIONS

- ◆ Daw San San, NLD Member of Parliament, was working inside Burma until late 2003 when an intensified crackdown on pro-democracy forces compelled her to continue her work from outside Burma.

Testifying before a dual Subcommittee hearing Daw San San said the Burmese Freedom and Democracy Act, “has been critical to supporting the democracy movement inside the country while cutting off the junta’s ability to fund their instrument of oppression—their intelligence service, their military, their informants and thugs.”⁵⁶

- ◆ In one of the last public statements Daw Aung San Suu Kyi was able to make to the international community in April 2004, she was clear that it was the NLD’s strategy to use sanctions “until such time as negotiations take place.”⁵⁷
- ◆ [I] think BBC does not like the sanctions. If you look at these [BBC's reports], [they] are very much opposed to the sanctions. [I] do not know how much they know about the Burmese politics. It is clear that [BBC] does not know the country’s present economic, social and political situation, said NLD spokesperson U Lwin.⁵⁸
- ◆ After the passage of the Burmese Freedom and Democracy Act, a strong chorus of support came from actors all throughout Burma and from those in exile. The Irrawaddy Magazine reported that, “Kind words...came from the most unlikely sources all across Burma.”⁵⁹
- ◆ Shan State Army (SSA) leader Colonel Yawd Serk said the U.S. sanctions legislation should have been passed a long time ago and that the SSA was prepared to support the NLD’s democracy campaign.⁶⁰

56 House International Relations Committee Subcommittee on Asia and the Pacific and the Subcommittee on International Terrorism, Nonproliferation and Human Rights (25 Mar 04) Testimony by Daw San San, Elected Member of Parliament, National League for Democracy, Burma.

57 AFP (23 Apr 03) Myanmar’s Aung San Suu Kyi complains for the first time of stalled talks

58 VOA (25 May 04) NLD Party Spokesman Criticizes Kofi Annan and BBC

59 Irrawaddy (Aug-Sept 2003) Burma’s Heroes

60 Nation (17 Jul 03) PM: Prepare for refugees

- ◆ The Karen National Union (KNU) Secretary General Pado Man Sha said they have waited for a long time for strong action and that the U.S. moves were good for the Burmese people. He said the KNU supports this move very much because the junta will not move forward unless it is pressured to do so.⁶¹
- ◆ The Secretary General of the Mon Unity League, an umbrella organization of Mon people, said “The grassroots people welcome the law (U.S. legislation). Under the present rule of the Burmese military junta, economic assistance from the international community does not reach the civilian population, most live in remote areas of the country and are blocked off from any economic development.”⁶²
- ◆ Seven Arakanese organizations welcomed the U.S. sanctions: The Arakan League for Democracy (Exile), National United Party of Arakan, Arakan Liberation Party, All Arakan Students and Youths Congress, Rakhine Women's Union, Arakan Labour Association, and ROE (Rakhine Overseas in Exile).⁶³

PREDICTIONS

Some have seemingly tried to make a job out of predicting what the regime will do or trying to ‘decipher’ its actions as inching towards a true commitment to political reforms. However, sadly, history has repeatedly shown that the SPDC is not interested in reforms. It is only when the regime feels the consequence of inaction are too great that they make any effort as clearly demonstrated by their interactions with the ILO, the diplomatic tour in the region after May 30, 2003, unfurling the ‘7-point roadmap’ and trying to appear as having a dialogue with Daw Aung San Suu Kyi.

Despite the lessons of history, some actors continue to insist that the regime is on the brink of making progress and should be given more time and support. Aside from being inaccurate, these predictions have been detrimental, as they have often made policymakers hesitant to take the tough action needed against the regime.

Brief Chronology of ‘Predictions’ by the Current Thai Government

Other ministers of Thailand said the same thing before...it didn't happen as they said. It became a tradition. ~ NLD Spokesman U Lwin

It is time for Asian governments to realise it is time to get tough with Burma's thugs. After expending considerable political capital and prestige, Prime Minister Thaksin received a slap in the face when the junta refused to participate in a second meeting of the Bangkok Process, a mechanism he put in place to allow the regime to brief the international community on its road map to democracy and national convention. ~ Tashika Elbegdorj, former Prime Minister of Mongolia⁶⁴

Feb 21, 2004 Prime Minister Thaksin predicted that Daw Aung San Suu Kyi would be released before October 2004 and was quoted as saying that the junta has sent many positive signs to presage her freedom.⁶⁵

Feb 10, 2004 Foreign Minister Surakiart Sathirathai said, “it won't be long” before Daw Suu is released.⁶⁶

61 Nation (17 Jul 03) PM: Prepare for refugees

62 Kao-Wao (15 Aug 03)

63 Narinjara (18 July 03) Arakanese Political parties welcome US sanctions on Burma

64 Tashika Elbegdorj. The Nation (10 May 04) Now is the Time for Action on Burma.

65 Nation (22 Feb 04) PM says Suu Kyi to be freed by October

66 AFX News Limited (10 Feb 04) Myanmar's Suu Kyi to be released from house arrest soon - Thai FM

- Sept 29, 2003 After his visit to Rangoon, Foreign Minister Surakiart Sathirathai voiced confidence that the junta would ease restrictions on the Suu Kyi.⁶⁷
- Sept 5, 2003 Prime Minister Thaksin says “the [Myanmar] regime [has] clearly shown its sincerity and opening itself [and] should be given time and support...if Suu Kyi was still stubborn, it would be helpless for her.”⁶⁸
- Aug 27, 2003 Deputy Prime Minister, Chavalit Yongchaiyudh, predicted that Daw Suu would be released within 4-5 months and ‘offered an important role in a new government.’⁶⁹
- Aug 27, 2003 “The reshuffle shows Burmese rulers have become more international...” Prime Minister Thaksin Shinawatra
- Aug 27, 2003 Gen Chavalit predicted a change for the better after the SPDC leadership change in which Gen Khin Nyunt replaced Gen Than Shwe as prime minister. “It will keep developing following the leadership change,” Gen Chavalit said.⁷⁰
- Aug 8, 2003 Third Army Commander, Lt-Gen Picharnment Maungmanee told the Bangkok Post that he had a ‘good signal’ from the regime that Aung San Suu Kyi will be released by August 22-24. He later denied the report.⁷¹
- June 30, 2003 Thai Foreign Minister Surakiart said “there is reconciliation now inside Myanmar” and raised the possibility of limiting the number of refugees.⁷²
- June 17, 2003 Thai Foreign Minister Surakiart Sathirathai said Daw Suu’s arrest was “a temporary measure” aimed at providing safety for her.⁷³
- May 19, 2003 “...I have been informed that within only the next few weeks, there will be another political dialogue between the leadership of the SPDC and Aung San Suu Kyi.” Foreign Minister Surakiart⁷⁴
- Sept 5, 2001 Defense Minister Chavalit on his meeting with Khin Nyunt, “He already told me he did have a talk with Aung San Suu Kyi every two weeks and they get together, they understand each other very well. He also told me that everything has made good progress, maybe you have a good year soon.”⁷⁵ (NLD Spokesman U Lwin declared that they had not met for months and there was no dialogue process going on.)

67 Xinhua (29 Sept 03) Work for Myanmar's reconciliation: Thai FM

68 Asia Times Online (5 Sept 03) Reforming Burma: PM backs junta’s road map, quoting Thai-language newspaper Matichon

69 Sydney Morning Herald (31 Aug 03) No freedom for Suu Kyi in Burma junta’s reform plan & Bangkok Post (28 Aug 03) Chavalit Sees Change for Better

70 Bangkok Post (28 Aug 03) Chavalit Sees Change for Better

71 Bangkok Post (8 Aug 03) Suu Kyi’s Release Tipped

72 AFP (30 Jun 03) Thai Government to Hold Talks with UNHCR over Refugee Dispute

73 Nation (17 Jun 03) Philippines demurs as Asean backs Burma

74 Bangkok Post (21 May 03) Junta plans to resume talks with Suu Kyi

75 BBC (5 Sept 01) Thai-Burmese relations ‘improve’ after visit

RECENT ARMS & DEFENSE EQUIPMENT ACQUISITIONS: An Indicator of the Regime's True Attitude Toward Peace

With no external enemies, it can only be assumed that the SPDC continues to spend scarce resources on expensive defence equipment because, despite their rhetoric, they are not interested in peace but rather only in extending their rule. Since 1988, Burma's junta has spent a larger proportion of the central government expenditure on defence than any other country in the Asia-Pacific, including North Korea, the most militarized country in the world.⁷⁶

A brief timeline of recent arms and defense equipment procurement:

April 2004 – It was reported that the Ukrainian government-owned arms dealer UkrSpetsExport, is setting up a factory in Burma to assemble 1,000 APCs. The firm has a sales office in Rangoon on the 9th floor of the Royal Nikko Hotel.⁷⁷

March 2004 – About 30 Serbian engineers were reportedly upgrading the Burma Airforce's SOKO G-4 trainer/ground attack aircraft. The aircrafts have been grounded since the mid-to late-1990s.⁷⁸

March 2004 – It was reported that the Burma Army acquired old Chinese weapons and military equipment as the People's Army of China is upgrading its equipment.⁷⁹

Feb 2004 – A Ukrainian freighter carrying military equipment was met by Deputy Minister of Defense Maj-Gen Aung Hlaing and the Army's Director of Air Defense Col Aye Myint under tight security measures. Burma military watchers speculate it was a delivery of anti-aircraft weapons from the Ukraine.⁸⁰

Feb 2004 – A member of a high-level SPDC military delegation to an armament fair in India said, "We are looking at procurements from India but the equipment will not be for the infantry we manage on our own... We cannot discuss these matters openly but it would be significant in terms of supply."⁸¹

July 2003 – 50 T-72S Ukrainian main battle tanks were delivered to the regime.⁸²

May 2003 – Ukrainian company, the Malyshev HMB plant, signed a contract with the SPDC for 1,000 new BTR-3U light armored personnel carriers (APCs), costing more than US\$500 million. It is unknown if the deal was in hard currency and/or barter trade.⁸³

May 2003 – The Indian Government sold 80 Howitzers (tracked field cannons) to the SPDC.⁸⁴

* A timeline of arms procurements from North Korea is listed below in the timeline of relations between the SPDC and North Korea.

76 Selth, Andrew, Burma's North Korean Gambit: A Challenge to Regional Security? Australian National University Strategic and Defense Studies Center, 2004. quoting Defence Economic Trends in the Asia-Pacific, 2002 (Defence Intelligence Organisation, Canberra, 2003) & 'Armed Forces,' North Korea Special Report, Jane's Sentinel Security Assessment (Jane's Information Systems, Coulsdon, 2003)

77 Irrawaddy (6 Apr 04) Ukrainian Arms Firm Setting up in Burma

78 Irrawaddy (9 Mar 04) Serbian Engineers Refurbishing Burma Airforce Planes

79 DVB (8 Mar 04) Burma army to buy old Chinese weapons

80 Irrawaddy (12 May 04) The Kiev Connection

81 AFP (5 Feb 04) Myanmar seeks military hardware from India

82 DVB (29 Jul 03) 50 tanks that the SPDC bought from the Ukraine arrive in Burma

83 Irrawaddy (12 May 04) The Kiev Connection

84 Pak Tribune (12 May 03) India actively exporting arms to Burma

Rogue Regimes – Pyongyang and the SPDC

For unknown reasons actors continuously ask for Rangoon to be given ‘the benefit of the doubt’ and not to jump to conclusions too quickly. This has been the case in speculating the relationship between the SPDC and the Pyongyang regime. It was thought that Burma wouldn’t be ‘that provocative’ to develop an active relationship with North Korea. However, once again, it is being shown that the SPDC are not moderates and will go to extremes to clutch onto power.

Both the SPDC and Pyongyang operate in a cloak of secrecy and thus it can be assumed that more cooperation and deals have taken place than we are aware of. In particular, it has been speculated that there have been additional deliveries of arms and military equipment to the SPDC from the frequent visits of North Korean freighters to Rangoon in recent years.⁸⁵

The two regimes have a good partnership as the SPDC wants weapons and North Korea needs hard currency and goods. Deals have been known to include elements of barter trade from Burma. There is also a relationship between Burma and North Korea in the narcotics trade. Although it is not known if the relationship is an official state-to-state agreement, but it is clear that narcotics are moving between Burma and North Korea. In recent years North Korean vessels and agents have been intercepted smuggling Burmese heroin off the eastern coast of Australia, into Taiwan and into Russia. It has also been reported that Pyongyang agents have been seen recently in the Golden Triangle.⁸⁶

Recent reports indicate that North Korea has agreed to provide the Burmese regime with a nuclear reactor at a bargain price to be paid in “affordable phases”. The reactor will be built in Natmauk in central Burma, according to a report that also claims that US intelligence is aware of the development.⁸⁷

Chronology of the SLORC/SPDC relations with North Korea:

2004 – News of North Korean sale of a nuclear reactor to Burma, to be built in Natmauk, central Burma, is confirmed by Indian and Western intelligence sources⁸⁸

2004 – Persistent reports of North Korean geologists prospecting in Kachin State.⁸⁹ Kachin State is very rich in natural resources.

2003 – Reported that the SPDC was interested in obtaining Hwasong (Scud-type) SRBMs from North Korea.⁹⁰ The SPDC has not denied this.

There is no rationale for Burma to have SRBMs or submarines as operating and maintaining them would ‘stretch Burma’s technological capacities to the limit, they cannot afford them, those resources should be devoted to social needs, and there is no apparent strategic rationale for them.’⁹¹

2003 – In October, a secret meeting was reportedly held in Phuket, Thailand to discuss arms deals.⁹²

85 Selth, Burma’s North Korea Gambit; A Challenge to Regional Security?

86 Selth, Burma’s North Korea Gambit; A Challenge to Regional Security? quoting Far Easter Economic Review (20 Nov 03) Dangerous Bedfellows

87 Asia Times (4 Jun 04) India frets over Yangon-Pyongyang deal

88 Asia Times (4 Jun 04) India frets over Yangon-Pyongyang deal

89 Irrawaddy (May 2004) What is Pyongyang up to in Kachin State?

90 Selth, Burma’s North Korea Gambit; A Challenge to Regional Security? quoting News Insight.net (27 Dec 03) Neighbors Envy & News Insight.net (14 Oct 03) N. Korea ballistic missiles for Burma likely

91 Selth, Burma’s North Korea Gambit; A Challenge to Regional Security?

92 Selth, Burma’s North Korea Gambit. quoting News Insight.net (27 Dec 03) Neighbors Envy & News Insight.net (14 Oct 03) N. Korea ballistic missiles for Burma likely

2003 – In August, a secret meeting was reportedly held in Rangoon to discuss arms deals.⁹³

2003 – In July, it was reported that 15-20 North Korean technicians were spotted at Monkey Point, the SPDC's major naval base, and at a Defense Ministry guesthouse north of Rangoon.⁹⁴ (suggests that the SPDC may have purchased new equipment or weapons) The SPDC has not denied that North Korean technicians are working in Burma.

It has been speculated that they were helping to install surface-to-surface missiles (SSM) in either some naval ships or on the SPDCs 4 new 'Myanmar class' coastal patrol boats, which would give them greater offensive capability.

2003 – In April, 125kg of heroin from Burma was seized from a North Korean cargo vessel off the eastern coast of Australia.⁹⁵

2002 – SPDC began negotiations for the purchase of 1 or 2 submarines.⁹⁶ The deal was reportedly abandoned in late 2002.

2001 – In June, North Korean Vice Foreign Minister Pak Gil-yon led a high-ranking delegation to Burma, reportedly 'to discuss cooperation in the defense industry with Myanmar's Deputy Defense Minister Khin Maung Win.'⁹⁷

2000 – In November, SPDC officials made a secret delegation to North Korea.

1999 – In June, the Army's Director of Procurement made an unofficial visit to North Korea.⁹⁸

1998 – Burma purchased 12-16 130mm M-46 field guns from North Korea.⁹⁹

1990 – Burma purchased 20 million rounds of 7.62mm AK-47 rifle ammunition from North Korea.¹⁰⁰ They may have been given to the United Wa State Army (the largest criminal drug cartel in the world) possibly in exchange for their ceasefire agreement.

Going Nuclear!

The SPDC's standards for a nuclear reactor are "well below the minimum the body would regard as acceptable." ~ Mohammed el Baradei, Director General of the International Atomic Energy Agency¹⁰¹

Awareness of SPDC's interest in nuclear technology began in late 2000 with a visit to Russia's Minister of Atomic Energy. Both Russia and North Korea appear to be involved in assisting the regime with achieving its nuclear ambitions. The SPDC claims to want a nuclear reactor for 'peaceful purposes' however, speculation on the motivation behind the acquisition of a nuclear reactor are heightened by the failure of the regime to give a clear, consistent reason for the purchase. A more

93 Selth, Burma's North Korea Gambit. quoting News Insight.net (27 Dec 03) Neighbors Envy & News Insight.net (14 Oct 03) N. Korea ballistic missiles for Burma likely

94 Selth, Burma's North Korea Gambit. quoting Far Eastern Economic Review (10 Jul 03) North Koreans Return to Burma & Far Eastern Economic Review (20 Nov 03) Dangerous Bedfellows

95 Selth, Burma's North Korea Gambit. quoting Jane's Intelligence Review (6 Jun 03) North Korean heroin shipment seized & Paddock and Demick "North Korea's Growing Drug Trade Seen in Botched Heroin Delivery"

96 Selth, Burma's North Korea Gambit. quoting Jane's Defence Weekly (11 Jun 03) Myanmar ditches submarine deal

97 Selth, Burma's North Korea Gambit quoting Korea Times (10 Jul 01) Overseas Trips by NK Officials Brisk

98 Selth, Burma's North Korea Gambit. quoting Voice of America () Burma-North Korea Arms

99 Selth, Burma's North Korea Gambit. quoting Jane's Defence Weekly (5 Aug 98) Rice buys artillery for Myanmar & Voice of America (4 Aug 98) Burma-North Korea Arms & Interviews, Chiang Mai & Rangoon, Nov 99

100 Selth, Burma's North Korea Gambit. quoting Jane's Defence Weekly (2 Feb 91) Burma Buys AK-47 Rounds

101 Selth, Burma's North Korea Gambit. quoting FEER (21 Feb 02) Burma's Nuclear Plans Worry IAEA

benign motivation would be to give Burma more 'status and prestige,' which does not negate the extremely serious safety, health and environmental risks, but it cannot be ruled out that the motivation could be more sinister.

The secrecy surrounding the location, safeguards, stage of development, and methods of attainment all lead to a logical source of extreme concern. It has been argued that the existence of a nuclear reactor would provide the SPDC with the capability to create a 'dirty bomb,' and be delivered via the MiG-29 planes the regime already has.¹⁰²

The Nuclear Network

June 2004 – News of North Korean sale of a nuclear reactor to Burma, to be built in Natmauk, central Burma, is confirmed by Indian and Western intelligence sources¹⁰³ The site could be the same one of the aborted Russian-built project, since it is also close to Magwe. The North Koreans appear to be willing to offer easy payment terms, unlike the Russians.

November 2003 – Reported that Rangoon-based diplomats have seen official documents of the Daesong Economic Group's activities in Burma. Daesong is an enterprise run by North Korea's Bureau 39. Daesong-affiliated companies have exported sensitive missile technologies in the past, including to Pakistan for its nuclear-weapons program. A company affiliated with the Daesong Group, Changgwang Sinyong, was sanctioned by the U.S. State Department in 1998 and 2001 for selling missile-related technology to Pakistan.¹⁰⁴

November 2003 – It was reported that it was likely that the North Koreans replaced the Russians as the primary source of nuclear technology.¹⁰⁵

Late 2003 – Reported that the deal with the Russians for the reactor got put on hold or abandoned, as an agreement on payment could not be reached.

January 2003 - A groundbreaking ceremony for the reactor was supposedly held near Magwe, central Burma.

July 2002 - SPDC Foreign Minister Win Aung and ministers for defense, energy, industry and railways, finalized the deal in Moscow.

May 2002 - It was announced that Russia's Atomic Energy Ministry (Minatom) would help the SPDC "in designing and building a nuclear studies center that will include a research nuclear reactor with a thermal capacity of 10 megawatts and two laboratories." The Russian ambassador reportedly agreed to at least part of the payment being in primary goods such as teak, fish or rice.¹⁰⁶

November 2001 - unconfirmed reports surfaced that 2 Pakistani scientists (Dr. Suleiman Assad and Dr. Muhammad Ali Mukhtar), both with experience with Pakistan's most secret nuclear facilities, were hiding in Burma. Their whereabouts and current activities are unconfirmed.¹⁰⁷

November 2001 – The International Atomic Energy Agency (IAEA) visited Burma for an assessment and reported that the SPDC's standards were "well below the minimum the body would regard as acceptable."¹⁰⁸

102 Selth, Burma's North Korea Gambit. quoting Irrawaddy (7 Nov 03) US Findings on Burma, an Overview

103 Asia Times (4 Jun 04) India frets over Yangon-Pyongyang deal

104 FEER (20 Nov 03) Dangerous Bedfellows

105 Selth, Burma's North Korea Gambit. quoting FEER (20 Nov 03) Dangerous Bedfellows

106 Selth, Burma's North Korea Gambit. quoting Moscow Times (17 May 02) Myanmar Reactor & International Herald Tribune (14 Jul 01) Burma Seeks Nuclear Research Plant

107 Selth, Burma's North Korea Gambit. quoting Jane's Intelligence Review (March 2002) Nuclear Scientists in Myanmar & WSJ (3 Jan 02) Myanmar Gets a Russian Nuclear Reactor

108 Selth, Burma's North Korea Gambit. quoting FEER (21 Feb 02) Burma's Nuclear Plans Worry IAEA

September 2001 - The SPDC approached Mohammed el Baradei, the Director General of the IAEA to request assistance in obtaining a nuclear reactor for research purposes.¹⁰⁹

IAEA rejected the request as, “it has no confidence that Burma either needs a reactor or has the infrastructure and funding required to support such a project.”¹¹⁰

December 2000 - U Thaung, SPDC’s Minister for Science and Technology, made an official visit to Moscow where he met with the Russian Minister of Atomic Energy.

July 2000 - Russian Foreign Minister Igor Ivanov commented that Burma is a “promising partner in Asia and the Pacific region.”¹¹¹ There is some speculation that the SPDC may be looking to Russia for assistance in expanding activities on Kalagok Island perhaps such as installing new radar equipment or building a small naval facility.

Regional Threat

In response to the discovery that the SPDC has received weapons from Pyongyang, Senator Richard Lugar, Chairman of the Senate Foreign Relations Committee, stated, “These developments are the seeds of a major threat to Asian security and stability...The world should take notice, and the United States needs to make Burma a priority in its relations with Russia, China, India and ASEAN...”¹¹²

Thailand and India have both suggested that they have improved their own military capabilities in reaction to Burma’s arm procurements.¹¹³ In Andrew Selth’s most recent paper on Burma “Burma’s North Korean Gambit: A Challenge to Regional Security?” he writes, “Even if Burma has no intention of building a nuclear weapon, or finds after investigations that it lacks the ability to do so, the prospect alone of such a development carries the risk of misinterpretation or manipulation by other regional countries and thus adds to the potential for greater instability in the strategic environment.”

Specifically Selth cautions that if Burma does acquire (which it hasn’t denied) SRBMs, it would be ‘highly destabilising for the entire region.’ It would certainly increase the prospect of nearby countries improving and increasing their own inventory of weapons.¹¹⁴

109 Selth, Burma’s North Korea Gambit. quoting Nucleonics Week (25 Oct 01) IAEA Will Ignore Burmese Request for Research Reactor Assistance

110 Selth, Burma’s North Korea Gambit. quoting Nucleonics Week (25 Oct 01) IAEA Will Ignore Burmese Request for Research Reactor Assistance

111 AP (4 Jul 00) Russia Sees Myanmar as “Promising Partner”

112 Office of Congressman Lugar (28 Sept 03) Statement: Seeds of Trouble From Burma & Far Eastern Economic Review (20 Nov 03) Dangerous Bedfellows

113 Selth, Andrew (2002) Burma’s Armed Forces: Power Without Glory

114 Selth, Andrew (2004) Burma’s North Korea Gambit: A Challenge to Regional Security?

THE WORST SANCTION

“The regime itself is the greatest sanction imposed on Burma. It is the mismanagement of Burma’s economy and lack of political reform by the military that is creating appalling suffering for the people in the country.”

~ John Jackson, Burma Campaign UK

“[People] do not understand that since the Socialist Government [in Burma], the country's economy has been in a sorry shape because of the government's mismanagement. [They] are only saying that it is because of sanctions.”

~ U Lwin, NLD Spokesman, May 25, 2004¹¹⁵

It is the regime’s gross economic mismanagement and systematic human rights abuses that are causing grave hardship on the people of Burma. Only when there is a better system of governance will there be the capacity and political will to end institutional human rights abuses and sustain economic reforms.

The Burmese regime has manipulated the development of the economic system so that it has ‘tentacles’ reaching all throughout the economy, making it almost impossible to do business in or with Burma without directly profiting the regime. The economy is largely controlled by state-run enterprises and private companies run by regime officials. Business investment mainly benefits the regime as an institution and as individuals.¹¹⁶

Even if sanctions had not been imposed, businesses would continue the trend of withdrawing from Burma. Although sanctions have caused some businesses to leave, there are other reasons why businesses are leaving Burma at this time. In addition to the bad investment climate due to the regime’s corrupt and ad hoc policies:

The Ongoing Banking Crisis: The SPDC has gagged the media on reporting about the financial crisis that has caused the economy to nosedive since February 2003, when the banking sector all but totally collapsed. The regime’s longstanding poor macroeconomic policies, such as enormous spending on the military, a nearly inoperable taxation system, high inflation, the presence of unofficial finance companies, and the large amount of banks’ total assets being held in government securities, laid the foundation for the current financial crisis.

Black Friday: It was reported that after the May 30th attack, some employers were ‘scared’ and began to make plans to relocate their factories to Cambodia.¹¹⁷

Investor-Unfriendly Climate: Foreign-owned businesses have also been leaving because of investor-unfriendly practices of the regime – lack of rule of law, widespread corruption, possible exposure to money laundering and serious impediments to imports and overseas transfers. Insecurity over the lack of rule of law in the context of trade and investment has been a particular cause for concern, with the case of Mandalay Brewery being a key example. Burma has been cited by the Financial Action Task Force (FATF) for failure to take action against money laundering.¹¹⁸

Without substantial political changes that can sustain desperately needed economic reforms, investment and business will continue to finance the regime and maintain the current appalling, unregulated and unjust working conditions. The economic gap will continue to widen, with the regime and its cronies becoming wealthier. The practices of the SPDC such as land confiscation, forced relocation, forced labor, and institutionalized human rights abuses continue unabated and the

115 VOA (25 May 04) NLD Party Spokesman Criticizes Kofi Annan and BBC

116 For more details, please read Altsean-Burma’s special report: Ready, Aim, Sanction! Available in paperback or as pdf at www.altsean.org.

117 DVB (30 Jul 03) Reactions to US sanctions in accord with Burmese Freedom and Democracy Act

118 For more details, please read Altsean-Burma’s special report: Ready, Aim, Sanction! Available in paperback or as pdf at www.altsean.org.

regime continues to refuse to redistribute money from the defense budget to the social sectors for health and education. As long as these practices persist the SPDC will continue to be responsible for the hardship that many Burmese are forced to endure.

The SPDC persists with committing and condoning human rights abuses in order to oppress the people and maintain its power. In a recent statement by the UN Special Rapporteur for Human Rights in Burma, Sergio Paulo Pinherio stated that the human rights situation had been marked by 'significant setbacks.' The U.S. Department of State's Human Rights Report echoed his findings in more detail stating, "Security forces continued to commit extrajudicial killings and rape, forcibly relocate persons, use forced labor, conscript child soldiers and reestablished forced conscription of the civilian population into militia units." At a time when the regime is trying to project an image of harmony with Burma's ethnic nationality groups, the truth is demonstrated in a recent report by the Karen Women's Organization, "Shattering Silences," which details systematic rape and sexual abuse by the Burmese military forces.

The regime now spends less than 50% on public expenditure than it did in 1985 and the decline in funding for civilian public education has declined by 70% since 1990. Central Government Expenditure on education and health dropped from 17.65% to 8.99% between 1989 and 1999. In the same period, defense expenditure rose from 24.7% to 49.9% of CGE.¹¹⁹

The regime has repeatedly demonstrated that it only acts when under pressure. The international community must increase and sustain intense pressure on the regime through diplomacy, economic sanctions, and coordination with allies worldwide. The democracy movement led by Daw Aung San Suu Kyi has been steadfast, true to non-violent principles, flexible and through attacks, imprisonment and harassment – retains hope. They deserve a political solution to a political situation - one that has intertwined itself at all levels in all activities in the country.

119 FTUB (Jun2002) Economic Report on Burma.

REGIONAL PERSPECTIVE: BURMA: AN ALBATROSS FOR BOTH ASEAN AND EUROPE
By KAVI CHONGKITTAVORN
The Nation, June 14, 2004

Burma has the tenacity to take both Asean and the EU hostage. And prevail. This pariah state has been practising and perfecting the dark art of divide and rule. Indeed little has changed since the 1991 Asean-EU ministerial meeting in Luxembourg, when the Burmese issue was first raised and discussed among the leaders of the assembled nations.

So, it came as no surprise when Cambodian Foreign Minister Hor Namhong said last week that his country's admission into the Asia-Europe Meeting (Asem) had "unfairly" been tied to that of Burma. As a former foreign minister of Cambodia under the Khmer Rouge, he understands and appreciates the progress Cambodia has made and the strong international support it has enjoyed for the past decade. Cambodia is eager to benefit from the dividends of peace.

Who is to blame for such an agonising appeal? Who is being unfair? Asean or the EU?

Or both? Apparently issues related to Burma have evolved into a gaming system that both groupings can use to test each other's determination, if not their hypocrisy. Shamelessly, the leaders of both Asean and the EU are willing to use and bet on the future of Burma for mean political expediency. It has been an Asean tactic to stay bundled together when dealing with the EU, not letting the EU corner individual Asean members or exploit the grouping's internal differences over Burma. Before Burma was admitted to Asean in 1997, the grouping made an all-out effort to defend the regime, saying that Asean understood Burma better than anyone else because of the country's proximity to its members.

However, five years after Burma's admission, Asean is still struggling to say why its method of peer pressure, of which the grouping's members are very proud, has failed to deliver the positive results that have been promised all along.

In the year that has passed since the Depayin incident last May, dissident voices have surfaced from within Asean. But they have not been loud or consistent enough. Former prime minister Mahathir Mohamad, who was instrumental in pushing through Burma's admission, severely criticised the country and suggested that Asean could expel Burma if it failed to modify its behaviour. Asean insiders knew that was wishful thinking. Unlike the Commonwealth, Asean does not have a mechanism or a charter to allow the grouping to punish members that damage the organisation or behave badly. At the Asean meeting in Phnom Penh last July, Cambodia was brave enough to call for the release of Aung San Suu Kyi, and other members echoed that sentiment. The world community hailed the call.

Unfortunately the budding movement was short-lived. Asean temporarily stopped defending Burma for about 170 days, from May 31 to October 6, 2003, but in the wake of the Bali summit, the grouping shifted back to the uneasy status quo of backing the junta. At the summit, Prime Minister Thaksin Shinawatra was the only Asean leader to defend Burma and its newly appointed Prime Minister Khin Nyunt. He urged his colleagues to give the new junta leader a chance to prove himself. With such a strong advocate, Asean leaders were polite enough not to publicise their disagreement and complied. Today Burma is the tail that wags Asean.

For the EU, Burma is an equally large dilemma. EU members have been torn between two different paths, one calling for continued and tougher sanctions against the country and the other appealing for softer measures. The latter would reward Burma for any constructive moves with a sort of carrot-and-stick approach.

It is an open secret that the EU does not want this controversy to stand in the way of further economic and investment cooperation with Asean. The EU has been refining its strategies towards the Asian region in general and Asean in particular since 1994. Europe views Asean as a huge market and a gateway to the rest of Asia and the Pacific. With the region's economic recovery and infrastructure

development under way, the EU does not want to miss out on this lucrative market of over 500 million people.

After much wrangling among key members such as France, the UK, Italy, Germany and Denmark, the EU is extending its system of boycotts from last year without going for specific economic sanctions, as some of the members wished. Fortunately they did agree that Burma's admission to Asem must be contingent on a constructive engagement between the junta and opposition groups at the National Convention and on Suu Kyi's release. That has not yet happened. Obviously the EU would like its 10 new members that joined the union in May to become Asem members in exchange for the memberships of Cambodia, Laos and Burma. Although Cambodia and Laos want to join Asem as soon as possible, they do not want to hurt Asean solidarity. Unlike Burma, both countries have benefited from Asean-EU economic cooperation.

Ironically, this approach has given Burma a free hand to manipulate all Asean members. Sadly but truly, Asean has since come down with an internalised case of Stockholm Syndrome, as if Burma were the very soul of Asean. As a rule, the grouping will not wash its dirty linen in full view of the international community. Rather the members have chosen to endure the agony and intransigence of a house divided.

NON INTERFERENCE IN BURMA IS NOT AN OPTION

By Mitch McConnell and Dianne Feinstein

The Asian Wall Street Journal

June 14, 2004

Burma, a primary source of narcotics in Asia and the world's second largest producer of opium, poses an immediate and growing threat to the region.

As a repressive and illegitimate military junta with long track record of human rights abuses that rivals the Taliban, the State Peace and Development Council in Rangoon poses a clear and present danger to the people of Burma. The policy of noninterference by Burma's neighbors and the Association of Southeast Asian Nations ensures that illicit drugs, HIV/AIDS, and refugees continue to spill across its borders.

While regional governments bury their heads in the sand to the Burmese threat, Asia's drug addicted and HIV/AIDS infected sons and daughters bury their hopes for a promising future.

In Thailand, an estimated three million people were addicted to amphetamine-type stimulants (ATS) last year. According to the U.S. State Department, Burma-produced ATS enters Thailand across the northern, northwestern and western land borders.

In China, deputy director of the National Narcotics Control Commission Luo Feng admitted earlier this year that his country's biggest drug source remained the Golden Triangle, and that illicit drug abuse contributed to the spread of HIV/AIDS and social instability in China. By some estimates, as many as 10 million Chinese could be infected with the HIV/AIDS virus within the next six years.

In India, the former health and family welfare minister of Mizoram state, F.Malsawma, last year advocated sealing its borders with the Burma to stem the flow of illicit drugs. The minister indicated that these drugs were sold at a cheaper price to create a market among India's youth. According to the U.S. State Department, one of the four major categories of traffickers in India includes indigenous tribal groups in the northeastern states that maintain ties to Burmese trafficking organizations.

And in Cambodia, official statistics reveal a 60% increase in drug-user arrests from 2002 to 2003. According to the United Nations, some 100,000 methamphetamines tablets from the Golden Triangle are trafficked into Cambodia each day, along with 10-20 kilograms of heroin.

The future for Burma's youth is similarly bleak. Denied the most basic of human rights by the repressive regime - including education and health care - the Burmese people endure forced labor, rape, and conscription. Those who dare speak out against the SPDC and its abuses are harassed, imprisoned, or

killed. Few realize that there are between 600,000 and 1,000,000 internally displaced persons in Burma today.

In May 1990, the people of Burma spoke in favor of freedom and overwhelmingly elected the National League for Democracy (NLD), led by Daw Aung San Suu Kyi, in parliamentary polls. Their voices fell on deaf ears in Rangoon, and the military junta refused to relinquish power.

In May 2003, the SPDC ambushed Ms. Suu Kyi and the NLD in Depayin, killing and wounding scores of innocent Burmese. Held incommunicado for a period of time, Ms. Suu Kyi and other senior NLD leaders were later arrested, and today they - and some 1,500 prisoners of conscience - remain imprisoned for nonviolently championing freedom and justice for the Burmese people.

Courageously boycotting the May 17, 2004 constitutional charade organized by the SPDC, the NLD recently called upon United Nations Secretary-General Kofi Annan to take the matter to the Security Council. The U.N. - and the world - cannot allow their brave voices to fall upon deaf ears any longer.

What should be done? First, the region should wake up to the immediate challenge Burma poses to stability in their respective countries. For the sake of Asia's youth, the destructive policy of noninterference should be discarded in favor of intervention. In 2006, Burma is expected to assume chairmanship of Asean; there could be no greater loss of face to that Association or the region.

ASEAN should give the SPDC a clear choice: immediately enter into a meaningful reconciliation process with the equal, full and unfettered participation of the NLD and ethnic minorities in Burma or face expulsion from the regional grouping. This will require the release of Ms. Suu Kyi and all prisoners of conscience.

Second, the U.N. Security Council should heed the NLD's pleas and examine the clear and present danger Burma poses to the region. This must include a discussion of Burma's narcotics production and trafficking; the spread of HIV/AIDS throughout the region from drug use and prostitution, the junta's use of child soldiers, force labor, trafficking in persons, and rape as a weapon of war; the welfare of Burmese refugees in Thailand, and reports of SPDC interests in North Korean missiles and Russian nuclear technology.

NLD spokesman U Lwin recently said, "The ball is now in the court of the U.N.... we'll have to see what Kofi Annan will do." All who courageously champion freedom in Burma deserve more than just lip-service from the U.N. As U Lwin rightly points out "The U.N. cannot just release statements [calling for Suu Kyi's release] without implementing them."

Following this long overdue discussion on Burma, the Security Council should act to impose sanctions against the illegitimate junta in Rangoon.

Finally, the European Union should join the United States in imposing a ban on imports from Burma. Rock star and activist Bono - who supports such a ban - is right to be "ashamed" of Europe's lack of support for the struggle of freedom in Burma.

European democrats would be wise to listen to South African Archbishop Desmond Tutu, who said earlier this year: "To dismantle apartheid [in South Africa] took not only commitment, faith and hard work, but also intense international pressure and sanctions. In Burma, the regime has ravaged the country, and the people, to fund its illegal rule. Governments and international institutions must move past symbolic gestures and cut the lifelines to Burma's military regime through well-implemented sanctions."

The Bush administration must continue to push for a multilateral response from its European allies and regional partners. If Asean, the U.N. and EU fail to act, Asia's youth will pay the price.

Sen. McConnell is the U.S. Senate Majority whip. Sen. Feinstein is ranking member of the Terrorism, Technology and Homeland Security Subcommittee and a member of the Intelligence Committee.

June 8, 2004

DECLARATION OF THE REGIONAL STRATEGY MEETING ON BURMA

We, the participants of the Regional Strategy Meeting on Burma, from 40 organisations in 10 countries, met for 2 days in June in Thailand,

AFFIRM THAT:

- * The democratisation of Burma is integral to freedom and democracy in the entire region.
- * Tripartite dialogue premised on observance of human rights and democratic principles is essential to genuine National Reconciliation.
- * Free and fair elections are a cornerstone to any democratic state, therefore the outcome of the 1990 multi-party elections organised by the military regime must be acknowledged.
- * Asean is a key actor in determining the future of Burma, and therefore the future of this region.
- * Asean and the international community need to focus more effort and resources to advocate effectively for genuine reforms in Burma.
- * Sanctions, particularly economic sanctions, are vital non-military options to support the democracy movement in Burma. Hence, the continuation and expansion of such sanctions are needed.

RECOGNISE THAT:

- * The National Convention (NC) currently taking place in Burma is inherently illegitimate.
- * The NC has degenerated to a mass detention of more than a thousand people, lacking a shred of credibility. With this, the regime has effectively doubled the number of political prisoners in the country.
- * The SPDC's conduct of the NC and the imposition of bizarre rules are desperate measures designed to prevent any opportunity for delegates to absent themselves. The junta's fear of further losing credibility over the NC is proof that it is sensitive to international opinion and pressure.

DEPLORE:

- * The SPDC's continuing abuse of the human rights of the peoples of Burma. Extrajudicial killings, looting, forced labour, forced relocation and sexual abuse of women by the military, particularly in the ethnic nationality areas, continue unabated. Hundreds of thousands of internally displaced people continue to be denied the right to grow food to feed themselves.
- * The regime's continuing complicity in allowing drug production, trafficking and money laundering to thrive.
- * The junta's continuing aggressive program of military expansion, including procurements of arms and expertise from Ukraine, Serbia, China, India, Russia, Singapore and North Korea, which has exacerbated the severe problems caused by its economic mismanagement.
- * The SPDC's refusal to release Daw Aung San Suu Kyi and U Tin Oo, consequently destroying conditions conducive to meaningful discussion and dialogue, further, the regime's conduct of the NC, which will lead to greater domestic polarisation and undermine National Reconciliation.
- * The international community's willingness to allow the regime to play off the interests of governments against each other, in order to prolong its own oppressive rule.
- * Actions by governments of the region that legitimise the Burmese junta, including recognition of the Burmese generals as heads of state, and provision of economic and political assistance to the regime.

WELCOME:

- * The flexibility and commitment to dialogue exhibited by the NLD and key political parties, and their courage to act decisively in the face of intimidation and harassment when the regime refused to abide by its own promises.
- * The cease-fire groups' public criticism of the NC.
- * The continuing commitment of the pro-democracy movement inside Burma, including ethnic nationality groups, to democracy, peace and a federal state.
- * The continuing efforts of exiled and refugee groups from Burma to promote democracy, peace and a federal state, despite intimidation and harassment.

EXPRESS DISAPPOINTMENT IN:

- * The United Nations Special Envoy, for failing to act decisively and effectively. This has prolonged human rights abuses and political repression in Burma.
- * Asean's practice of unconditional engagement, which has only served to encourage the regime to further oppress the peoples of Burma. In doing so, the regional grouping has disempowered itself and undermined capacity to resolve conflicts in its own constituency. Burma's current situation is proof that Asean's position is a miserable failure.

* The refusal of Asean member states to recognise the human rights of asylum-seekers and activists from Burma, in contravention of the 1998 UN General Assembly Declaration on Human Rights Defenders. The security threats have been worsening in the past year, particularly in Thailand and Malaysia. Further, we are gravely concerned at the inability of the UNHCR to provide adequate protection to a significant number of asylum seekers from Burma.

DEMAND THAT THE SPDC:

- * Halt the NC and instead, create conditions that will be conducive to a genuine tripartite dialogue leading to a peaceful, political solution in Burma.
- * Declare a unilateral nationwide cease-fire and stop military violations in the ethnic nationality areas.
- * Release all political prisoners, including Daw Aung San Suu Kyi, U Tin Oo and leaders of ethnic nationality groups, further that it allow all political parties to function freely.
- * Allow an independent investigation of the Depayin Massacre.

URGE ASEAN GOVERNMENTS AND THE INTERNATIONAL COMMUNITY TO:

- * Cease providing the regime with resources, including arms, equipment or technical expertise that can be used for internal repression.
- * Withdraw support for the NC and the regime's roadmap, and instead, insist on tripartite dialogue premised on observance of human rights and democratic principles.
- * Insist that the SPDC release all political prisoners and declare a nationwide cease-fire.
- * Develop and implement a decisive, coordinated range of actions, including the strengthening of the will and ability of the UN, to actively contribute to the genuine democratisation of Burma, and hence greater stability to the region.
- * Actively support the efforts of key individuals and groups, particularly the elected representatives of the peoples of Burma, to promote democracy and human rights.

In particular, we call upon Asean parliamentarians to take up the cause of their colleagues in Burma, who have been elected yet denied the opportunity to serve the will of their constituencies. Further, we urge the governments to recognize the elected members of parliament as legitimate representatives of Burma.

We also urge Asean to disqualify the SPDC from chairing the regional bloc in 2006, in the absence of irreversible steps to achieve National Reconciliation, and political and economic reforms.

CONFIRM OUR ENDORSEMENT FOR EFFORTS TO:

- * Achieve a peaceful, political solution in Burma by key individuals and groups.
- * Sustain and enhance engagement between Asean and Burmese democrats.
- * Convene an international commission to investigate the Depayin Massacre.
- * Sustain and widen sanctions against the military regime, including economic sanctions and an embargo on military equipment and expertise.
- * Halt military violations, including landmine use in Burma. In this context, we encourage all military combatants to cooperate with the efforts of the International Campaign to Ban Landmines.
- * Ensure that humanitarian assistance requires clear accountability, transparency and unhindered and direct access to communities in need, and is not used to subsidize or legitimize the regime in any way.
- * Build capacity in the movement and the region to develop and implement strategies that will sustain and expand democratic processes.
- * Increase the political participation of women and youth.
- * Support the work of the women of Burma and their allies to address the critical problem of sexual abuse and violence against women.

Finally, we reiterate our unwavering commitment to democracy, human rights and the rule of law. We make this declaration believing that Burma's struggle is our own struggle for freedom.

NOTE: The participants at this meeting came from 40 organisations in 10 countries: Bangladesh, Burma, Cambodia, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea and Thailand.

The groups included the Alliance of Progressive Labour, Altsean-Burma, ARDA (Alliance for Reform and Democracy in Asia), Burma Indonesia Solidarity, FORUM-ASIA, Initiatives for International Dialogue, Peace & Human Rights Resource Centre, Solidamor & SUARAM. Political parties at the meeting included the Singapore Democratic Party, Sam Rainsy Party and Parti Keadilan Rakyat Malaysia.

Owing to security considerations in Thailand, not all organisations can be named.

**PRESS STATEMENT BY THE PRO-DEMOCRACY MYANMAR MPS' CAUCUS OF THE MALAYSIAN PARLIAMENT
AT THE PARLIAMENT HOUSE, KUALA LUMPUR ON
TUESDAY, 8th June 2004:**

We, the members of the Pro-democracy Myanmar MPs' Caucus of the Malaysian Parliament believe in the inalienable right of the Myanmar people to self-determination and democratic expression through free and fair elections.

We hereby appeal to the Prime Minister and the Government of Myanmar to carry out the following measures to restore the democratic rights of the Myanmar people:

1. To immediately and unconditionally release leader of National League for Democracy (NLD), Aung San Suu Kyi from house arrest.
2. To immediately and unconditionally release all political detainees including all the Members of Parliament elected at the last General Elections.
3. To immediately and unconditionally allow the leaders of the NLD to participate in the Myanmar National Constitutional Convention so as to ensure that legitimately elected leaders of Myanmar are not excluded from the deliberations and decisions of the Convention.
4. To immediately convene Parliament and allow the Members of Parliament elected at the last elections to elect a new Prime Minister and government according to prevailing constitutional and parliamentary norms.
5. To immediately begin the process of handing over authority to the legitimately elected Parliament and the Prime Minister and government elected by Parliament.
6. To immediately allow the entry and unimpeded functioning of observer groups from ASEAN and the UN who shall be tasked to ensure that constitutional and civil processes are adhered to.

The Caucus also calls upon the Myanmar Government to respect ASEAN and international opinion and return to the mainstream of responsible international norms and behavior.

We support the role play by UN Rapporteur to Myanmar, Tan Sri Razali Ismail to engage both military junta of Myanmar and NLD and mediate the differences between them, and we will continue to give him the necessary support.

We urge the Malaysian government to continue to play its role to persuade the Myanmar government to face up to regional and international aspirations for democratization and national reconciliation in Myanmar.

ENVOY: ASSEMBLY A 'MASS HOUSE ARREST'
Constitution-drafting process has no credibility-UN rights representative
The Nation, June 2, 2004

A United Nations human-rights envoy yesterday described the Burmese junta's constitution-drafting convention as a "mass-house arrest", saying the forum lacks credibility without a guarantee that fundamental human rights will be upheld and the release of opposition leaders.

Paulo Sergio Pinheiro, a human-rights special envoy to Burma, told reporters in Bangkok that without the participation of opposition parties, including the National League for Democracy (NLD) which won a landslide victory in the 1990 elections, the National Convention at this stage is "a meaningless and undemocratic exercise". Burma's ruling military ignored the results of the 1990 poll.

"The road map has had a most regrettable launching," Pinheiro said, adding "the SPDC [State Peace and Development Council] has brought the 1088 delegates to house arrest."

Pinheiro has twice been denied entry to the country since his last visit in November 2003.

The National Convention to draft a constitution reconvened on May 17 without the participation of the NLD, which said it would only participate in the convention after its leaders- Aung San Suu Kyi and Tin Oo-were released from house arrest.

Pinheiro said it was "absurd" that the National Convention should be reconvened while Burmese citizens continued to be denied freedom of expression and assembly.

The 1088 delegates attending the convention had been "hand-picked" without clear criteria, he said, adding that only about 17 delegates were chosen from ethnic minority groups.

He said images of the national convention had been aired without any sound. "We don't have any clue what they are doing there."

Delegates to the convention, which is being held at a tightly-guarded compound some 30 kilometres outside Rangoon, are prohibited from criticizing the state or disclosing information regarding the convention. Delegates have also been told to avoid bathing at inappropriate times and not to eat junk food.

"If you go through this path, you will not be successful. It will not work. This has not worked in Brazil, in Uruguay, in Argentina, in Portugal, in Spain, in the Philippines, in Indonesia. This political transition will not work. It will not work on the Moon. It will not work on Mars," he said.

NOW IS THE TIME FOR ACTION IN BURMA

The Nation, 10 June 2004
by Tashika Elbegdorj

Nobody should be clinking champagne glasses over the recent announcement that Burma's National League for Democracy (NLD), led by Aung San Suu Kyi, has tentatively accepted an invitation to attend the national convention being organised by the ruling State Peace and Development Council (SPDC). If this is to be a credible process, the regime must first meet a number of reasonable demands by the NLD – something the ruling junta has never done in the past. Now is the time to step up pressure on Rangoon to ensure the NLD's demands are met and to prevent another attempt by the SPDC to place a veneer of democracy over their brutal rule.

Beginning a so-called process of national reconciliation and charting a way out of Burma's political impasse without the full participation of Suu Kyi and the NLD (as a party and not as individuals) is destined to failure. The legitimacy of the NLD cannot be denied. The Burmese people overwhelmingly elected NLD candidates in 1990 to represent them in parliamentary elections the SPDC refuses to recognise.

Few regimes in the world are as repugnant as the SPDC led by Senior General Than Shwe. Human rights reports and documentation by international organisations such as the United Nations have

catalogued a long series of horrors the ruling regime inflicts on its people. For example, the SPDC demands forced labour from its citizens, uses rape as a weapon of fear and intimidation against ethnic groups, fills its jails with political prisoners and torture and summary executions are common. In one of the greatest crimes against our youth, Human Rights Watch reports that nearly 70 000 child soldiers, some as young as 11, have been dragooned into the Burma army.

That the regime attempts to justify its behavior by talking about ‘managed democracy’ and the ‘Asian way to democracy’ is an outrage. The fact that Burma’s regional neighbours look the other way while making pretences about ‘internal affairs’ is a stain on all Asians – and this must change. The SPDC’s national convention continues a process begun in 1995 to guarantee a future constitution that cements the military’s role in power.

Statements by senior SPDC officials that this convention will pick up where the last one left off demonstrates a striking lack of sincerity and strongly indicates that this exercise has nothing to do with democracy and everything to do with dictatorship.

The Burmese people are not the only victims of the regime. Burma’s neighbors also suffer. In Thailand, the junta’s actions have forced tens of thousands of refugees across the Thai-Burma border. Metamphetamines, or ya ba as it is known locally, wash into Thailand from Burma, saddling the Thai social services with skyrocketing addiction rates and increased crime. China is battling an HIV-Aids epidemic that has its roots in Burma’s opium smuggling. Regionally, the Association of Southeast Asian Nations (ASEAN), who have long provided Burma’s generals with political cover, are forced to pick up the tab for the regime’s behaviour. Meetings with the US and EU officials that should be focused on enhancing economic, security and social ties are instead devoted to explaining the outrageous actions of a brutal regime. This tension is a drag on the region.

It is time for Asian governments to realise that it is time to get tough with Burma’s thugs. After expending considerable political capital and prestige, Prime minister Thaksin Shinawatra received a slap in the face when the junta refused to participate in a second meeting of the Bangkok Process, a mechanism be put in place to allow the regime to brief the international community on its road map to democracy and national convention.

Thaksin has bent over backwards to curry favour with Burma’s generals by cracking down on Burmese refugees and democracy activists promoting non-violence in their opposition to the SPDC. Thaksin should communicate strongly to the regime that they will not find solace or cover with his government. Allowing Burmese democracy activists to meet and organise in Thailand would serve to demonstrate his commitment to freedom in Thailand as well as sending a strong signal to the regime that their actions are unacceptable and their support waning. Asean could take the step of suspending Burma’s membership in the regional grouping putting the SPDC on notice that they are unwilling to foot the rising political and financial bill for the regime’s acts of violence and abuse.

A peaceful Burma holds the promise of returning refugees, addressing narcotics smuggling, and investing in a social infrastructure that can unleash the talents and potential of the people. This will create a huge new economic market for Asean and be a catalyst for further development in an environment of peace and stability. None of this will exist under the SPDC.

It is testimony to the bravery of the Burmese people that despite the regime’s oppression and terror they are unable to subdue the country’s democracy movement. The strength of the movement lies in its legitimacy and the demand by the country for governance derived from the will of the people. It is long past time for Asian governments to hear their call and take the actions necessary for a peaceful transition of power that can begin to heal this torn land.

Tashika Elbegdorj is a former prime minister of Mongolia and the current director of Liberty Centre, a Mongolian NGO dedicated to promoting democracy and human rights.

**The Baltimore Sun
Window Dressing
May 12, 2004**

On Monday, 14 years after a pack of generals stole control of Myanmar from a legally elected democracy party, the still-ruling military junta will convene a national constitutional convention to which it has invited its long-suppressed opponents. In advance, the National League for Democracy, which won those last parliamentary elections in 1990, has been allowed to reopen an office. And there's mounting anticipation that its leader, Nobel laureate Aung San Suu Kyi, will be released from house arrest to participate in the national political conference.

If this sounds all too familiar, it should. Those concerned with the brutal suppression of freedom in the nation once known as Burma have been down this road before - in 1996 and, more recently, last year, when the indomitable Ms. Suu Kyi and her supporters, briefly free to speak out, came under violent ambush leading to her last re-arrest. Her release now - it would be her third since her first arrest in 1989 - would be welcome, but it also would impart credibility to a political process that Sen. Mitch McConnell has aptly denounced as "window dressing."

All but a few of the more than 1,000 convention delegates are said to be hand-picked supporters of the generals. Even as the illegal regime talks of a new road map to resolving this long standoff with the NLD, 1,300 political prisoners remain jailed, and in recent weeks more dissidents reportedly have been receiving long sentences. Ms. Suu Kyi's party is in a tough spot: It can boycott the convention as a sham and be accused by the regime of being non-cooperative, or it can legitimize a sham. Either way, the Yangon generals again seem to be stringing along the world.

All this speaks to the need for the U.S. Senate to act quickly to renew import sanctions placed on Myanmar goods after Ms. Suu Kyi was rearrested last year. And this time, sanctions must be followed by a U.S. diplomatic campaign - with the generals, their Southeast Asian apologists and the U.N. Security Council - that will be more strongly focused on forcing the junta to begin sharing power.

Ms. Suu Kyi has deservedly gained world renown as a symbol of the Burmese quest for freedom, but she also is just one of 50 million people who remain under this regime's lock and key.

Far Eastern Economic Review
The 5th Column: Don't Help Burma's Generals
May 6, 2004
By Zaw Oo

The writer is a director of the Burma Fund, a Washington-based think-tank

As I write this, the Burmese military junta called the State Peace and Development Council, or SPDC, is expected to soon free pro-democracy leaders Aung San Suu Kyi and Tin Oo. But it will do this solely for ulterior reasons. The SPDC is seeking some measure of international credibility. Releasing Suu Kyi will get Asean off its back. Next, by also pretending to seek a road map towards some form of "disciplined" democracy, the SPDC gives Asean the cover to accept Rangoon's chairmanship of the group in 2006. But in a vicious circle, the SPDC is strong-arming the democratic opposition by using any legitimacy it gains abroad to force the opposition into accepting its road map--which will only strengthen its position as a regime. The generals don't plan to retire from politics any time soon.

The SPDC is rushing to implement its seven-point road map towards "democracy" by reconvening on May 17 a national convention to prepare a new constitution. The original convention was aborted in 1996 after the SPDC expelled the National League for Democracy for complaining that the convention was being manipulated. The new convention will just as likely be manipulated. First, holding the meeting in a remote town called Mhawbi is meant to isolate and intimidate opposition delegates. Moreover, the convention commission will be made up only of SPDC officials, who will completely control the agenda and procedures. The junta could also use its notorious military rule, "Order 5/96," to suppress those who oppose its wishes. Certainly, that was what it did the last time around.

The junta's hand-picked delegates are expected to ram through 104 constitutional principles laid down in 1996 before the last convention was scrapped. Those principles include setting aside 25% of parliamentary seats for the military, indirect election of the president through an electoral college, the requirement that presidential candidates have military experience, and total autonomy for the military. They are a comprehensive list of military prerogatives that make a mockery of any modern notion of constitutionality. Thus, through a "guided" convention, the SPDC's road map will lead to a "disciplined" political form: a constitutional military autocracy.

Clearly, the SPDC's version of "reform" will continue to be a disaster for Burmese. Its vision of democracy with dual power centres in the form of a military commander-in-chief and the president could easily become unstable because of the intermittent power struggles that emerge within the military. Its economic model won't bolster investors' faith. (Even the Chinese have become frustrated with Burma's appalling economic policies.) Dreams of Thai industrialists relocating manufacturing plants to Burma will remain just that: fantasies. And the continuing gross neglect of Burma's social capital and a likely failure to stem the lucrative drug trade will export instability from Burma to its neighbours.

A year ago, at a gathering in Bangkok of like-minded individuals from 10 countries, there was the promise of a start to building an effective regional strategy towards Burma. The gathering, called the Bangkok Process, could have sent a clear signal to the SPDC that its intentions were unacceptable. Sadly, the meeting chose to build on the earlier constructive-engagement policy. Still, the damage could have been minimized if the process had crafted a larger international strategy by inviting the participation of the United States, and provided the United Nations a stronger mandate to mediate and enforce a democratic settlement in Burma.

Today, only a democratic breakthrough can stop the looming confrontations in Burma. Suu Kyi has been consistent in offering a reasonable role for military leaders in jointly transforming Burma into a democratic country. In 1990, the Burmese military organized an election and supervised it; the NLD won but the military refused to honour the results. Now is the time finally to resolve this impasse. The key is to assist negotiations in Burma for implementing this as-yet-unrealized national mandate in a way that provides shared responsibility between the NLD, the military and ethnic leaders. Compromise is needed to allow for a sharing of power and responsibility in managing a democratic transition. All this is clear. But what would not be helpful is for Burma's neighbours to help efforts by the SPDC to strengthen and prolong its rule. This would not be in the interest of anyone in Asia, let alone Burma.

*BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551
DIVISION OF BANKING*
SUPERVISION AND REGULATION

SR 04-6

May 3, 2004

TO THE OFFICER IN CHARGE OF SUPERVISION

AT EACH FEDERAL RESERVE BANK

SUBJECT: Imposition of Special Measures against Burma, Myanmar Mayflower Bank, and Asia Wealth Bank

The Board of Governors of the Federal Reserve System is issuing this SR letter to advise banking organizations under its supervision of new obligations relating to Burma (Myanmar) imposed by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). On April 12, 2004, FinCEN issued two final rules that impose special measures under Section 311 of the USA PATRIOT Act (31 U.S.C. 5318A) against Burma and two Burmese financial institutions, Myanmar Mayflower Bank and Asia Wealth Bank, including the banks' branches and offices operating in Burma or other jurisdictions. These rules are effective as of May 12, 2004. FinCEN's final rules can be found at <http://www.fincen.gov/burma.pdf> and <http://www.fincen.gov/mayflowerbank.pdf>.

Section 311 provides that the Secretary of the Treasury, in consultation with the Secretary of State and the U.S. Attorney General, may designate particular financial institutions, types of accounts, classes of transactions, or foreign jurisdictions as being of 'primary money laundering concern.' If such a designation is made, Section 311 grants the Secretary of the Treasury the further authority to require U.S. financial institutions to take various "special measures" including additional recordkeeping and reporting requirements, with respect to the designated financial institutions, jurisdictions, accounts, or transactions. In the case of a designated jurisdiction or financial institution, the Secretary, in consultation with the Chairman of the Board of Governors of the Federal Reserve System and other appropriate federal government agencies, may restrict or prohibit U.S. financial institutions from opening or maintaining correspondent accounts involving the designated entity.

The final rules issued on April 12, 2004 by FinCEN generally prohibit certain U.S. financial institutions, including banking organizations supervised by the Federal Reserve, from establishing, maintaining or administering correspondent or payable-through accounts for, or on behalf of, Myanmar Mayflower Bank and Asia Wealth Bank, or any other Burmese banking institution. These special measures reinforce the economic sanctions currently in place against Burma, which were initially imposed by Executive Order 13310.² The Executive Order sanctions generally restrict all U.S. financial institutions from undertaking financial transactions with Burmese financial institutions, subject to certain exemptions.

The 311 special measures take the sanctions a step further. They generally restrict U.S. financial institutions from entering into direct as well as indirect transactions with Burmese banking organizations. With regard to indirect transactions, U.S. financial institutions are required, for example, to ensure that the correspondent or payable-through accounts they maintain in the United States for any foreign bank are not used by the foreign bank to provide banking services to Burmese banking organizations.

Due to heightened concerns with Myanmar Mayflower Bank and Asia Wealth Bank, the separate 311 special measures against these two banking organizations are more restrictive. Without exception, U.S. financial institutions are broadly prohibited from establishing, maintaining or administering correspondent accounts or payable-through accounts with Myanmar Mayflower Bank and Asia Wealth Bank.

Reserve Banks are asked to distribute this SR letter to the domestic and foreign banking organizations supervised by the Federal Reserve as well as to supervisory and examination staff. If you have any questions regarding these special measures, please contact Bridget M. Neill, Manager, Anti-Money Laundering Policy and Compliance Section, (202/452-5235) or Laurie Bender, Senior Special Anti-Money Laundering Examiner, (202/452-3794).

Richard Spillenkothen
Director

Notes:

1. On November 18, 2003, the Secretary of the Treasury designated Burma as a jurisdiction of primary money laundering concern, and Myanmar Mayflower Bank and Asia Wealth Bank as financial institutions of primary money laundering concern.
2. Executive Order 13310 of July 28, 2003, Blocking Property of the Government of Burma and Prohibiting Certain Transactions.

<http://www.federalreserve.gov/boarddocs/SRLETTERS/2004/sr0406.htm>

A Need to Act on Burma
By John McCain and Madeleine Albright

Washington Post
Tuesday, April 27, 2004; Page A21

"Apathy in the face of systematic human rights abuses is immoral. One either supports justice and freedom or one supports injustice and bondage." So said Archbishop Desmond Tutu, the South African Nobel laureate and anti-apartheid leader, who knows something about the struggle for human freedom in the face of tyranny.

The world's democracies have a common moral obligation to promote justice and freedom. In few places is this obligation more acute than in Burma, a country in which a band of thugs, led by Gen. Than Shwe, controls the population through violence and terror. The regime has a record of unchecked repression. It has murdered political opponents, used child soldiers and forced labor, and employed rape as a weapon of war. Nearly one year ago the Burmese military junta launched an orchestrated, violent attack against democracy leader Aung San Suu Kyi and hundreds of her supporters. Since then the regime has kept more than 1,000 political activists imprisoned, including elected members of parliament. It recently sentenced three Burmese citizens to death for contacting representatives of the International Labor Organization.

The Burmese junta, with the cynical support of neighboring governments, has announced a "road map to democracy," beginning with a constitutional convention in May. The convention is expected to be stage-managed by the junta, which has offered no meaningful participation to Suu Kyi's National League for Democracy, no timetable for progress toward a political transition, no release of political prisoners and no guarantee that the military will cede control to democratically elected leaders. Instead, the junta's proposals seem designed to institutionalize military control by creating a veneer of civilian authority, while meeting only the minimum expectations of Western democracies in order to avoid further sanctions.

The Burmese regime's recent actions demonstrate that years of international engagement and patience have not made the dictatorship more humane, reasonable or open to accommodation with its political opponents. On the contrary, it is only in response to international pressure that the regime has made even the smallest moves toward a political settlement with the democratic opposition. The lesson is clear: The world's democracies and Burma's neighbors must press the junta until it is willing to negotiate an irreversible transition to democratic rule.

The legitimacy, authority and commitment of Burma's democratic leaders to govern their country is not in doubt. But the international commitment to Burma's democratic transformation remains uncertain. The Western democracies and Burma's neighbors should immediately take three steps to bolster Burma's legitimate democratic leaders.

First, Congress should promptly renew, and the president sign into law, the ban on Burma's imports enacted into law last July. These sanctions, which are set to expire after a review period beginning Friday, are supported by Burma's National League for Democracy. The restrictions have made it more difficult for the Burmese military to tap financial assets abroad, travel or accumulate revenue through trade. The European Union, whose member democracies care deeply about protecting human rights, and whose trade and assistance programs give it critical leverage in Southeast Asia, is set to announce a new Common Position on Burma on Thursday. As part of this new policy, the EU should also initiate targeted sanctions against the regime.

Second, the EU and the United States, with support from Asian nations, should urge the junta to implement immediately the provisions of the U.N. Commission for Human Rights and the U.N. General Assembly resolutions -- including democracy, the rule of law and respect for human rights. The United States and the EU should also formally place the issue on the agenda of the U.N. Security Council, and work urgently toward a resolution threatening credible sanctions against the Burmese regime unless it initiates meaningful progress toward democracy.

Third, China, Thailand, India and other Asian nations uncomfortable with a tougher response to the junta's crimes must understand that diplomatic obfuscation and obstruction on Burma will profoundly affect their broader bilateral relationships with the Western democracies. Thailand in particular should consider this point when it convenes its planned international conference to discuss what it optimistically calls "Burma's progress toward democracy."

Beyond these steps, the United States, Europe and Asian countries must demand the unconditional release of Aung San Suu Kyi and her fellow political prisoners, but make clear that the releases, while necessary, are insufficient. In addition, they should continue calls for a political settlement that reflects the results of the free and fair elections held in 1990. This settlement must include a central, determinative role for the National League for Democracy.

In another era, a dissident playwright named Vaclav Havel wrote of the "power of the powerless" to overcome rule by fear and force, at a time when such a revolution in human freedom seemed impossible. The international community today has the power to help the powerless inside Burma throw off the shackles of tyranny. It is time to assume this moral responsibility. It is time to act.

John McCain is a Republican senator from Arizona. Madeleine Albright was secretary of state from 1996 to 2001.

Washington Post
No Excuse for Inaction on Burma
By Fred Hiatt

Monday, April 5, 2004; Page A17

On the 10th anniversary of South Africa's peaceful transition from apartheid to majority rule, outsiders may want to congratulate themselves. After all, didn't we all stand with Nelson Mandela, imposing economic sanctions until the white-minority regime gave in?

Well, yes, some countries did, eventually. But the rosy history forgets how controversial sanctions were -- how many people argued for "engagement" and against sanctions, which they said would only harm the oppressed black majority.

Self-congratulation is particularly misplaced when so many nations are slinking away from a moral challenge not all that different from the one presented by South Africa before 1994. No two situations are identical, but Burma, a Southeast Asian nation of 50 million people, presents some striking similarities:

Egregious violations of human rights. The military generals who rule Burma, led by Gen. Than Shwe, maintain such an iron grip that possessing an "unlicensed" fax machine or quietly criticizing the nation's school system can land someone in jail for years. "Murder, rape, forced labor, child soldiers," was the recent summary by Sen. Mitch McConnell (R-Ky.) of the regime's official policy. Amnesty International has identified some 1,300 political prisoners, many of whom have been tortured.

A viable political alternative with moral authority. In South Africa, there was little doubt that Mandela and the African National Congress enjoyed the support of most people. In Burma, there is *no* doubt that Aung San Suu Kyi and her National League for Democracy enjoy majority support: When the regime, in a momentary spasm of self-deluded confidence, allowed elections, the democrats won more than four out of five parliamentary seats.

Support for sanctions from the people who know best. The ANC understood that international trade and investment barriers would hurt some of its supporters in the short run; that was a price, it believed, that had to be paid to win freedom. The NLD has been similarly clear.

Experts ready to blame the democrats. South Africa's regime tried to promote fears of Mandela and his colleagues as radicals, Communists or revenge-seekers. In the case of Suu Kyi, a Buddhist committed to nonviolence, such vilification would sound preposterous. Instead, critics turn her principles against her: Georgetown University scholar David I. Steinberg recently suggested that she is "rigid and uncompromising." U.N. Secretary General Kofi Annan's special envoy to the country "emphasized the need for all the parties . . . to turn over a new page."

Given that Suu Kyi has been held virtually incommunicado since May 30, when government goons attacked her and her supporters, killing scores and injuring many more, it's hard to know how she could "turn a page" even if she were so inclined. Many of her top advisers remain in prison, and no supporters or journalists are allowed to speak with her.

That leaves the field clear for those who argue against sanctions. And sanctions are a blunt instrument; one can certainly be opposed to them without being an apologist for the regime. Steinberg and others argue that they only entrench the regime by impoverishing the people.

But it's also true that sanctions haven't really been tried. The United States imposed an import ban last summer, after the May 30 attacks, but the Europeans haven't followed suit, and the Bush administration hardly has pressed them to do so. Meanwhile, the administration is cozying up to the autocratic prime minister of Thailand, Burma's neighbor, who is busy shoring up Burma's regime even as he erodes human rights in his own country.

"Myanmar is not South Africa," writes another pro-engagement scholar, Robert H. Taylor. "Its politics are more complex than a battle of democracy versus authoritarianism."

By that standard, South Africa wasn't South Africa either; its politics were complex, too. And that complexity was often cited as an excuse for inaction.

"When we called for international action, we were often scorned, disregarded or disappointed," Archbishop Desmond Tutu recently recalled. But, he said, dismantling apartheid required international pressure, as will promoting democracy in Burma: "Sadly, tyrants choose not to understand the language of diplomacy or constructive engagement, but rather respond only to the action of intense pressure and sanctions."

Than Shwe and his generals are rumored to be planning Suu Kyi's release in a couple of weeks. Diplomats will be eager to claim credit and declare a problem solved. But undoing one of their many outrages is just a small step. Whether it becomes the first step toward democratic reform will depend in large part on whether the generals feel pressure from overseas, or whether they think they can keep blaming their prisoner for her "intransigence."

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*Financial Action Task Force on Money Laundering
Groupe d'Action Financière sur le Blanchiment de Capitaux*

Paris, 27 February 2004

FATF STRENGTHENS GLOBAL ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING CAMPAIGN

The Financial Action Task Force (FATF), the international body in charge of safeguarding the global financial system against money laundering and terrorist financing, announced Friday at its Plenary meeting that, due to substantial reforms by the Ukraine and Egypt, it has removed the two countries from its list of Non-Cooperative Countries and Territories (NCCTs).

"This is evidence that the NCCT process is working, and countries are taking substantive action to clean up their financial systems," said FATF President Claes Norgren. "The FATF has therefore decided to remove them from the list of NCCTs", said Mr. Norgren. "This is good news for Ukraine, Egypt and the international community. In line with past practice, the FATF will continue to monitor closely the ongoing implementation of the antimoney laundering systems in these countries."

The FATF maintains a list of non-cooperative countries and territories which do not meet international standards against money laundering. These countries can be subjected to counter-measures, including heightened scrutiny by banks dealing with any transactions originating from an NCCT-listed country.

The list of countries remaining as designated NCCTs is as follows: **Cook Islands, Guatemala, Indonesia, Myanmar, Nauru, Nigeria and Philippines**. Accordingly, the FATF called on its members to maintain their advisories requesting that their financial institutions give special attention to businesses and transactions with persons, including companies and financial institutions, in these listed countries or territories. The FATF decided to maintain the current counter-measures against Myanmar and Nauru, citing a lack of sufficient progress to justify their removal at this point.

The FATF welcomed further progress made by several jurisdictions on the list, notably the substantial progress made by Guatemala which has recently brought its offshore banks into the supervisory framework. The FATF welcomes Guatemala's efforts in the fight against money laundering.

Collaboration between FATF and the IMF and World Bank

The FATF has been working closely with the IMF and World Bank during a 12-month pilot programme to ensure the consistent application of anti-money laundering and anti-terrorist financing standards worldwide. This has included a pilot programme in which the IMF and World Bank have been using the FATF's Recommendations to assess countries' financial systems. The FATF President issued a letter to the IMF and the World Bank welcoming the successful conclusion of the pilot program, and encouraging the IMF and World Bank to continue their assessments on a comprehensive, uniform and permanent basis, as a regular part of their Financial Sector Assessment Program.

"FATF members have agreed to a new common methodology to assess compliance with anti-money laundering and countering the financing of terrorism standards", the FATF President said. "We look

forward to its endorsement by the IMF and the World Bank and encourage them to conduct such assessments on a permanent and comprehensive basis.”

Seminar on Terrorist Financing

As part of its efforts to further strengthen measures against the financing of terrorism, FATF held a special seminar before its Plenary meeting on the topic, on 24 February.

“Addressing terrorist financing is a crucial part of FATF’s mission. This seminar played an important role in helping us reach out to key partners in the international effort against the financing of terrorism,” said Mr. Norgren.

The seminar focused specifically on the risks posed by alternative remittance systems, cash couriers, non-profit organisations and the links between narcotics trafficking and terrorist financing. The consensus of the participants was that the international community must develop improved mechanisms to collect and share information on terrorism financing.

The seminar was attended by 44 countries, including some non-FATF members,¹ as well as observer international organizations and the FATF-style regional bodies.² It came in the wake of a political commitment to combat terrorist financing made by the Finance Ministers and Central Bank Governors of the G-7 and invited countries in Dubai in September 2003.

The FATF will undertake further work to ensure implementation of practical steps for the international community in this area.

Typologies

November 2003, the FATF typologies experts group met in Mexico. The report of this meeting dealt with the following topics: wire transfers, non-profit organisations and their relation to terrorist financing; money laundering vulnerabilities in the insurance sector; politically exposed persons; and “gatekeepers” in money laundering schemes.

“The FATF recognises the importance of collecting systematic information on existing and new methods of money laundering and terrorist financing”, said Mr. Norgren. “It has therefore agreed on a more effective process for keeping typologies under review and working on particular areas of high risk. In the first instance, this work will focus on wire transfers and the insurance sector.” Typologies refers to the study of trends and techniques in money laundering. Typologies reports are often used by law enforcement, policy makers, and the private sector in combating money-laundering.

FOREWORD BY ARCHBISHOP DESMOND TUTU

Burma’s military regime has tested the will of the people of Burma; despite intimidation and violence, the people’s desire for freedom and democracy remains strong. Our brothers and sisters in Burma realise that non-violent resistance does not mean passive resistance. Sadly, tyrants choose not to understand the language of diplomacy or constructive engagement, but rather respond only to the action of intense pressure and sanctions.

As in South Africa, the people and legitimate leaders of Burma have called for sanctions.

In South Africa when we called for international action, we were often scorned, disregarded, or disappointed. To dismantle apartheid took not only commitment faith and hard work, but also intense international pressure and sanctions.

In Burma, the regime has ravaged the country, and the people, to fund its illegal rule. Governments and international institutions must move past symbolic gestures and cut the lifelines to Burma’s military regime through well-implemented sanctions.

I maintain my belief that no one or no government should wait to take action; the journey begins with one step. Businesses and governments have a choice if they want to do business with the oppressive regime in Burma, or not. Business with the regime puts weapons in the hands of those who massacred thousands in 1988; are responsible for creating more than a million Internally Displaced People who cannot find shelter and security in their own country; those who systematically rape women. It funds the

vast intelligence system, the disgraceful incarceration and torture of Burma's freedom heroes, and the egregious human rights violations perpetrated against Burma's ethnic nationalities. Individuals and governments must take a stand against tyranny and those who protect and fund it.

Apathy in the face of systematic human rights abuses is immoral. One either supports justice and freedom or one supports injustice and bondage. Let us not forget that our responsibility is not complete until the people of Burma are free. At a time when the military is professing promises of freedom, one should bear in mind that actions speak louder than words. Freedom cannot be obtained through a process embedded in discrimination and persecution. I am deeply concerned for my courageous sister, Aung San Suu Kyi, and the more than 1,000 political prisoners, who have remained steadfast and true to non-violent principles, but are being kept isolated from the people of Burma and the international community. Their silenced voices are the most eloquent persuasion that the time to stand for their freedom is now.

If the people of South Africa had compromised the struggle against apartheid, we may never have gained our freedom. In Burma, to settle for anything less than freedom and justice, for the democratic participation of all people, would be to accept the presence of oppression and to dishonour our brave brothers and sisters who have dedicated themselves to the future of a democratic Burma.

I believe that truth and justice will prevail. Let a deep sense of faith and commitment to our principles guide our actions and sustain our hope. Sowing the seeds of justice may not be easy, but the harvest will be abundant.

The people of Burma will be free.

Archbishop Desmond Tutu

This foreword was written for Ready, Aim, Sanction – Special Report published by Altsean-Burma in November 2003.

*Financial Action Task Force on Money Laundering
Groupe d'Action Financière sur le Blanchiment de Capitaux*

Paris, 3 November 2003

FATF DECIDES TO IMPOSE COUNTER-MEASURES ON MYANMAR

The Financial Action Task Force (FATF) hereby calls upon its members to apply countermeasures to Myanmar beyond those currently in place under Recommendation 21. This action is based on the decision taken by the FATF Plenary in Stockholm on 3 October 2003.

Myanmar was identified as a non-cooperative country or territory (NCCT) in the fight against money laundering in June 2001. Since that time, Myanmar has still not addressed major deficiencies in its anti-money laundering regime. In particular, Myanmar has failed to establish a framework to engage in effective international cooperation in the fight against money laundering, and its anti-money laundering law continues to lack the implementing regulations necessary to make it enforceable.

At its next Plenary meeting on 25-27 February 2004, the FATF will review again the situation in Myanmar. The FATF hopes that, prior to that meeting, Myanmar will comprehensively address the deficiencies in its anti-money laundering regime.

Further information about the FATF and its work on NCCTs can be found at:

<http://www.fatf-gafi.org>.

The FATF is an independent international body whose Secretariat is housed at the OECD.

The thirty-one member countries and governments of the FATF are: Argentina; Australia, Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; the Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Turkey; United Kingdom; and the United States. The European Commission and the Gulf Co-operation Council are also members of the FATF.